



2011 State of the State and Budget Address

Monday, January 10, 2011
Governor C.L. "Butch" Otter

Mr. Speaker, Mr. President, Honorable Justices, my fellow constitutional officers, distinguished legislators and members of my Cabinet, honored guests, friends, my family and our First Lady ... my fellow Idahoans.

Of course I especially include in that number the thousands of our fellow Idaho citizens now serving once again in Iraq.

Our prayers and our thoughts are with them and we anxiously await their return to us.

Whether with the National Guard or Reserves, they are deployed as a matter of duty but serving as patriots and as heroes. They are shining examples of the best among us, and they should rest assured that their loved ones are protected, cared for and respected for their own sacrifices here at home.

My congratulations and thanks go as well to Idaho's congressional delegation – and especially its newest member and your former colleague, Congressman Labrador – for leading our struggle to rein in government spending as well as unreasonable and sometimes unconstitutional federal actions.

I know they're up to the difficult task ahead in Washington, D.C.

Now let me offer my sincere congratulations – and my condolences – to our newly re-elected Speaker, our new Pro-Tem, and to the great leadership teams in both chambers and on both sides of the aisle.

Your wisdom, patience, judgment and good humor will be crucial in the days to come as we navigate through the difficult process of balancing our State budget in a way that fulfills the proper role of government.

Let me also extend my congratulations to all the new and re-elected members of the Idaho House and Senate, as well as my colleagues in the Executive Branch.

I know you are as humbled as I am by the confidence that the voters showed in what we have done, and what we have committed to do.

Now, we have our work cut out for us.

But I am confident that together we can constructively fulfill our responsibilities to serve the people.

I am optimistic that our course not only is right for the people of Idaho but is an example that other states would do well to follow.

And I am positive that we will emerge from this session – just as we are slowly but surely emerging from this economic downturn – leaner, stronger, and even more clearly among the best places in the world to live, to work and to raise a family.

No one in this room is under any illusion about the task before us.

It could be the kind of legislative session that leaves people wondering why anyone would want to go into politics or public service.

Many of the decisions we make will be thankless.

Our motives will be questioned.

There will be no credit for good intentions.

There will be no "moral victories."

In some cases it may boil down to what our principles, values and the best data available tell us are the least-bad options.

But ladies and gentlemen, that's precisely why we were sent here – to make sound public policy that helps strengthen our economy and fosters creation of career opportunities without growing government.

We are entrusted with the best interests of the people of Idaho.

They expect us to conduct the business of State government honorably, transparently, decisively – and within the people's means.

We must keep our commitments and stick to our principles. We must act responsibly and stand ready to be held accountable.

To accomplish our task and make a positive difference in the lives of Idahoans we must summon all the energy and civic virtue that prompted us to seek office, and which brought us all here today.

Now, that does not mean digging deeper into taxpayers' pockets.

And it does not mean accepting that government can or should be the first response to all challenges – economic or otherwise.

We know what happens when that government-first mindset takes hold.

We wind up in court and working with our friends in Congress to stop the federal government from breaking its promises on delisting and restoring State management of wolves that are killing our big game and livestock.

We wind up fighting to stop the EPA from imposing unreasonable restrictions on the people of the Silver Valley.

Folks, we've got to turn this discussion back to personal responsibility.

We've got to turn it back to the family.

We've got to turn it back to our communities.

The State's role must be focused on finding better ways of fostering those local support systems. The solutions we seek are in our towns, our neighborhoods, and around our kitchen tables.

You all know I was born in Caldwell and grew up right here in the Treasure Valley. I was one of nine children.

My Dad was an electrician, and so wherever the jobs were, that's where we had to go.

That meant we were moving around a lot.

I went to 14 different schools between kindergarten and my graduation from high school.

I can remember time and again when my Dad would come home and say, "I'm sorry, but the job is finished and I don't know what we're going to do until I get another one.

"So instead of that new pair of shoes, we're going to have to get the old ones repaired. We're just going to have to do more with less."

And you know what? We all survived.

We all survived because we all understood that we were in this together – as a family.

Now, I don't know exactly where it started, but over the years instead of going to our families, and instead of going to those volunteer organizations that we were either socially or spiritually a part of – instead of going and having those kinds of conversations, it just got too easy when government seemed to have a lot of money to say, "Let's start this program," and "Let's start that program."

And that's precisely what happened.

Ladies and gentlemen, I have to tell you that, not only at the State level but at the federal level as well, those days are over.

It's time to become family again. It's time we accept one of the greatest burdens and greatest opportunities that our Creator gave us, and that is personal responsibility.

It all begins with us – the individual – and how we decide to fulfill the role of being our brother's keeper.

It's a concept deeply ingrained in our history. From the United Order envisioned by our Mormon pioneers, all the way back to Puritan leader John Winthrop's call in 1630 for the Massachusetts Bay Colony settlers to put aside their niceties "for the supply of others' necessities."

Winthrop's goal was to establish a community so close and so cohesive that it would become "as members of the same body."

Our Idaho Family is no different today. As citizens, we must work together to rebuild "our community as members of the same body."

Our fellow citizens have endorsed that path for our State government as the most consistent with Idaho's independent, self-reliant principles and priorities.

And our citizens, our businesses and our civic organizations are setting the example.

It was the energy and the enthusiasm of folks in Twin Falls that responded to the loss of 600 jobs at Dell by going out and finding 900 to 1,200 better jobs for the community with C3.

It was the community spirit of folks in Pocatello and Chubbuck that convinced Allstate that Idaho was the best place to build a regional service center with hundreds of new jobs, and that also convinced ON Semiconductor to expand twice in the past year.

It was the competence, the can-do attitude and the competitive fire of folks at Empire Aerospace that convinced Horizon Airlines to get its aircraft maintenance done in Coeur d'Alene.

It was the expertise and commitment to innovation of the folks at Micron that convinced Origin Solar of Australia that Idaho was the right place to build high-efficiency energy cells.

And it was the community spirit of the folks in Kamiah that convinced new investors in the Blue North Mill to add dozens of new hires since August, with more on the way.

My friends, community is the single biggest thing we have to celebrate as we begin 2011 – that sense of shared family history that runs through everything we do here in Idaho.

The degree to which this Citizen Legislature and all of us in State government are part of that community goes a long way toward explaining why we are in much better fiscal shape than many other states.

And one of the big reasons for that is – like any family or community – our first thoughts are about what we have rather than what we lack – what we can do rather than where we can turn for help.

That's why our State government today is far better and more efficient than it was just two years ago.

And that's why all our State agencies are continuing to build partnerships, find efficiencies and develop smarter ways of doing their jobs.

I'm more convinced than ever that living within the people's means is crucial to maintaining and building public confidence – not only in our system of government but in our citizens' own ability to make a difference.

As Thomas Jefferson said in 1802, "If we can prevent the government from wasting the labors of the people under the pretense of taking care of them, they must become happy."

So let's talk for a minute about some of what our State government is doing to avoid wasting the people's labors:

- At the Department of Correction, Director Brent Reinke and Olivia Craven at the Parole Commission have improved offender assessment and placement and are making better use of retained-jurisdiction programs.

That's saving \$32 million and holding our inmate population more than 1,500 below projections.

- Transportation Director Brian Ness recently realigned his agency to improve customer service, efficiency and accountability to the tune of at least \$1.5 million in savings over the next two years.
- The Industrial Commission and Chairman R.D. Maynard are proposing to use a surplus in its cash balance to waive some or all of the workers compensation premium tax paid by insurers and self-insured employers.

- At the Division of Building Safety, Kelly Pearce and his team are saving \$415,000 a year by such steps as sharing office space, using videoconferencing, cross-training inspectors, and issuing more permits online.
- And Phase Two of my Tax Compliance Initiative now is bringing in more than \$1 million a month to the General Fund that previously was going uncollected.

That's money we can use for public schools or other pressing needs.

Yet as important as all that is, it means next to nothing to the tens of thousands of Idahoans who are out of work.

Along with responsibly balancing our budget, there is no task before us more important than improving Idaho's economy.

That does not mean government spending.

It means stability. It means predictability.

And it means keeping more money in the hands of the people whose innovation and enterprise actually creates those career opportunities.

As you know, I have been an advocate for lower taxes throughout my public life.

If there was ever a time when ensuring the private sector has the motivation and the means to put Idahoans back to work, it's now.

When President Reagan signed the landmark Tax Reform Act of 1986 into law, he cited the need to secure Americans' economic freedoms.

He cited the need to "restore certainty to our tax code and our economy."

And he cited the fact that – as he put it – "ultimately the economy is not made up of aggregates like government spending and consumer demand, but of individual men and women, each striving to provide for his family and better his or her lot in life."

With that in mind, I encourage you to seriously consider legislation being introduced by Representative Marv Hagedorn.

His bill would equalize and then gradually reduce our marginal State income tax rates for individuals and businesses over ten years, starting in 2013.

But whether it's that bill or an alternative, we need a long-term plan for reducing the tax burden on our citizens.

That will go a long way toward providing a competitive advantage for Idahoans, stimulating economic growth and expanding our tax base.

Of course there are budget implications attached to such decisions. And they must be weighed carefully.

But there also are implications for our ability to provide economic opportunities for our children and grandchildren if we continue to be limited by what we could lose rather than inspired by what we can gain.

Folks, our citizens deserve and good government demands accountability in our tax system. It's an essential element of fostering public confidence.

And it applies just as much to the people and processes involved in collecting taxes as it does to the rates and the rationales behind them.

I have shared some ideas on possible ways to improve operations and public trust at our State Tax Commission with Pro Tem Hill, Senator Stegner and Representative Lake.

While those talks progress, I look forward to working closely with all of you in finding solutions that helps restore public confidence in that institution and the essential work it does through greater accountability and efficiency.

Our tax structure also plays a key role in achieving our economic development and growth goals.

That's why I will be proposing legislation aimed at providing an incentive for investment and creation of career opportunities, targeting those small and start-up businesses that show great promise for Idaho's future – especially as new technology and innovation are applied.

I'll be interested to hear your ideas and alternatives.

Ladies and gentlemen, once again this is not the government's money.

It's the people's money. And I encourage you to leave as much of it as possible in the hands that earned it.

I haven't heard one Idahoan say they want their taxes raised. If anyone wants to contribute more to State government, they're free to do so. But this is not the time for us to coerce those payments with more taxes.

Along with ensuring that our tax and regulatory climate encourages investment and job creation, the key to economic growth is to keep pressing ahead with our Project 60 initiative.

Because it's working.

We are coordinating with industry sectors here at home.

We're exploring opportunities and making great progress within the growing renewable and alternative energy industry.

We're facilitating foreign investments.

And we're recruiting businesses seeking the stability that other states lack.

States like Oregon, where the new Governor recently said the state is in a fiscal "death spiral;" or Washington, where the Governor is proposing literally billions of dollars in cuts to public schools, higher education and public safety services.

That's not us. And it won't be us as long as we stick to our principles.

So today I'm submitting a Fiscal 2012 Executive Budget recommendation based on a modest but responsible 3-percent growth rate in our State revenue.

While that won't seem to be aggressive enough to some or conservative enough to others, it reflects the realities of our budget needs and limitations at this moment in time.

Among those limitations is the hard fact that we will be starting Fiscal 2012 without about \$190 million of one-time funding from reserve accounts and federal funds that are helping to prop up this year's budget.

Our anticipated revenue growth in Fiscal 2012 wouldn't even cover that kind of hit. So most State agencies will see their budgets reduced by more than 2 percent under my recommendation.

And since we still are going to be counting on almost \$78 million in one-time money that we've identified throughout State government to balance our books in Fiscal 2012, now is the time to come forward with your ideas for eliminating whole programs that may fall outside the statutory or constitutional responsibilities of State government.

Now, we all know that one of State government's most important responsibilities is maintaining a "general, uniform and thorough system of public, free common schools."

It was an unfortunate necessity that prompted us to reduce the current year's General Fund public schools appropriation after two years of backfilling with reserve funds and one-time federal money.

So while my budget recommendation does call for a little more State support for public schools, it also includes significant, targeted investments in our children's future – investments like a third year of math and science in high school, and paying for all Idaho juniors to take college entrance exams.

Those investments are part of important changes that Superintendent Luna and I are proposing in the way our public schools do their jobs.

We're proposing to improve Idaho's education system by advancing the recommendations of our partners in this effort, led by Guy Hurlbutt and the Education Alliance of Idaho.

It will mean a fundamental shift in emphasis from the adults who oversee the process and administration to the best interests of our students.

Our priorities need to be refocused from how much we're spending to how much our children are learning.

Now, it's important for you to know that we're starting from a position of strength.

Idaho students continue to out-perform national averages on math and reading.

That's despite the fact that we spend far less per student than the national average, and less than half as much as New York, New Jersey and Washington, D.C.

Yet our Idaho students generally score higher on achievement tests.

Again, we need to refocus from how much we are spending to how much our children are learning – learning in large measure due to responsible parenting and the excellence and sustained efforts of our fine public school teachers.

That excellence should be rewarded – which is why Superintendent Luna and I are committed to establishing a pay system for teachers that emphasizes their performance, not their tenure.

Truly one of the bright spots of the past couple of years for me has been watching the impact of the Idaho Education Network's expansion into every corner of our state.

I've watched and listened to classes delivered over broadband Internet connections.

I've talked with the teachers and the high school students who already have earned 1,300 college credits by using the IEN.

I've seen how a calculus teacher in Eagle can reach students in Sandpoint and Sugar City.

I've seen how our Idaho students can use the IEN to take interactive guided tours of world-class resources like the Great Barrier Reef, the Holocaust Museum, the Alaska Sea Life Center and NASA facilities.

And just as importantly, I've seen how the IEN is becoming a true community and economic development resource.

For example, Superintendent Jim Reid and Principal Dave Davies in Weiser opened up the high school's IEN connection to the local Chamber of Commerce, which arranged for Idaho State University's Workforce Training department to provide marketing and management training for local businesses.

Schools also are using the network to offer master's degree programs, POST Academy training, firefighter and paramedic training, and professional development courses for teachers.

A growing number of school districts are embracing the opportunities.

In Idaho Falls, the Bonneville School District is generating revenue and improving the educational experience for students by creating an e-Center and a Virtual Academy.

The Vallivue School District in Caldwell also is rolling out a virtual school option for students, and several other districts are heading that direction.

Superintendent Luna and I will use the IEN at 3 p.m. today – right across the street at the Department of Education – to answer questions from reporters across the state about today's address and our education initiatives. And Superintendent Luna will lay out all the details of our proposals this coming Wednesday.

While the Idaho Education Network and online education are making great strides, our efforts to provide more affordable higher education options are paying off.

The College of Western Idaho is one of the fastest-growing community colleges in the nation.

CWI and President Bert Glandon are responding to Idaho employers' needs with an emphasis on workforce training.

It's a tremendous resource, and I appreciate your continuing support for its growth.

Speaking of growth, I'd like to take just a minute now to begin engaging all Idahoans more directly in our Project 60 campaign – since it's all about growth, and it affects us all.

The fact is that our economy is starting to grow again, but overall employment isn't.

The stock market is almost fully restored, but investors remain skittish.

Our banks generally are sound, but many are afraid to lend.

Interest rates are at historic lows, but it's tough to get new credit.

Some corporate earnings are at their highest levels in 60 years. Exports are recovering and approaching record levels.

But none of this has shaken a generally pessimistic economic outlook.

The reason is unemployment.

How many of you in this chamber know someone who's out of work?

Now, how many of you have a family member who's unemployed?

Unfortunately, until the jobless numbers begin falling, the perception that our economy is stuck in a rut will continue.

We all know that raising taxes and spending more on government jobs or so-called "stimulus" programs isn't the answer.

So what can we do about it?

For one thing, we must use our bully pulpit to encourage those who can help to take a chance on our state's future – to pay it forward by embracing those less fortunate among us.

Just as our Project 60 Partners are working with us to create and sustain the right business climate in Idaho, the time is now for our citizens and businesses to show confidence in our communities, our neighbors, and ultimately in ourselves.

Think what it could mean if every one of our 55,000 or so Idaho businesses would hire just one more person.

Think what it could mean if every one of our citizens who saw a neighbor struggling to make ends meet would reach out to help in any way they can.

Of course not everyone is in a position to help.

For businesses, economic and financial uncertainty caused in large part by misguided federal programs and policies are undermining confidence in the marketplace.

Employers have no idea what it will cost them to comply with new health care mandates.

I understand their hesitation. But that's stifling employment growth.

But there are plenty of examples out there of courageous and forward-looking business investments in Idaho's future – examples that we should celebrate.

For instance:

- In Nampa, Mission Aviation Fellowship, which moved from California several years ago, now has 138 employees and 134 aircraft involved in Christian relief work in more than 52 countries around the world.
- In Payette, Teton Manufacturing has more than enough work to hire at least four new machinists.
- In Moscow, Biketronics is looking at sales increases that should enable it to expand and hire staff for a planned business incubator.
- In Caldwell, Kit Manufacturing could be in a position to double its workforce in the coming year.
- Fry Foods in Weiser is continuing to hire for its growing food processing business.
- And here in Boise, Colliers Idaho is bullish enough on our economy that it's hiring in preparation for a strengthening real estate market.

We must recognize that we will all share in Idaho's renewed prosperity if we work together – that's the essence of Project 60.

For our part, beyond making State government more efficient and effective, we must continue rewarding those private sector investments that grow our economy by providing appropriate and carefully crafted tax incentives for job creation.

Unfortunately, our lingering jobless rate will pose a serious problem for Idaho employers in the years ahead unless we act now.

Like those in 35 other states, Idaho's Unemployment Trust Fund ran out of money because the recession was deeper and longer than those who designed the new benefits system in 2005 ever expected.

As a result, we had to borrow over \$200 million from the federal government to keep paying repeatedly extended unemployment benefits in 2009 and 2010.

But we do have a plan to eliminate the need to increase Idaho's Unemployment Insurance rates and stabilize the trust fund. It calls for issuing bonds to repay the entire amount we borrowed and redeeming those bonds over four years.

It also involves raising the target balance in the trust fund formula to avoid borrowing in the future. And that's important, because while we've been able to borrow money for unemployment benefits interest-free for the past two years, we'll have to pay more than \$9 million in interest this year alone – and much more in the following years. But our plan will save Idaho employers an estimated \$110 million over the next three years.

My thanks go to Labor Director Roger Madsen for thinking outside the bureaucratic box on that issue.

Unfortunately, there is no bonding option or any other viable way to avoid many of the exorbitant costs being imposed on us by Obamacare.

We got some great news recently when a federal judge in Virginia agreed with the position we and 21 other states have taken that forcing citizens to buy health coverage or face financial penalties is unconstitutional.

As you know, our specific case is before a different federal judge in Florida. But Attorney General Wasden believes the Virginia ruling has the potential to be persuasive in our case as well. We're watching that closely.

We also are working closely with Idaho's outstanding congressional delegation to fix or repeal Obamacare before it does serious damage to State efforts to make health care more accessible and affordable.

We are actively exploring all our options – including nullification.

But at the same time, we are responsibly preparing for watershed changes that may be on the way.

And we are pursuing our own priorities.

In September, I issued an Executive Order convening a Medical Home Collaborative to pilot a coordinated managed-care initiative aimed at controlling health care costs.

Our focus on accessibility and affordability also advanced last month with my creation of the Idaho Health Care Council.

Health and Welfare Director Dick Armstrong and Insurance Director Bill Deal are leading this effort to coordinate local and federal health care policies, working closely with our private sector partners.

Building partnerships. Fostering more cooperation between the public and private sectors. Doing more with less.

All that is part of what must be a cultural change in our policies and our programs throughout State government – a change in how we set our priorities and how we approach challenges.

It's taking place at Health and Welfare and the Department of Correction.

It's taking place at Transportation and Labor and Administration and all the other State agencies.

But that's not enough.

Now that zero-base budgeting is in place, we must find a way to institutionalize this new culture of responsible austerity and ensure that we nurture continuing improvements to State government operations.

I am studying the possibility of creating an intergovernmental working group to do just that. And I look forward to hearing your feedback in the days and weeks ahead.

One area of our State budget where there are private-sector options to partially offset our need for greater public austerity is higher education.

I understand the arguments. I've heard them wherever I go – “We should be investing in our future.” ... “We're being penny wise and pound foolish.” ... “We're shortchanging our own economic development opportunities.”

I'm sure all of us would like to put more money into our colleges and universities.

I appreciate your commitment to maintaining our Opportunity Scholarship Fund's corpus.

And I look forward to the time when we can resume building on that account to ensure money is never a barrier to qualified students going on after high school.

With that in mind, I also want to thank the Albertson Foundation for its continuing generosity in supporting Idaho education programs, and advocating for our students to broaden their educational horizons. Still, the fact is that tough choices – and changes – have to be made.

And higher education does have some built-in constituencies that can provide alternatives to a higher level of General Fund support.

At the same time, I've been gratified by the efforts of our college and university presidents to manage through the relative scarcity of these tough economic times while growing their institutions in response to student and community needs.

And I've been pleased by the expanding role of our business community, the Idaho National Laboratory and the Center for Advanced Energy Studies in collaborating with our colleges and universities on research and technology transfer issues.

They're cooperating on development of better policies for commercializing and generating revenue from work on our campuses.

Some of our great corporate citizens, the Office of Energy Resources, Jefferson Jewell and the Idaho Innovation Council, Rich Raimondi and the Idaho Technology Council, and our higher education leaders all are working closely with the Center for Advanced Energy Studies on development of the Energy Efficiency Research Institute.

I welcome those partnerships, because Idaho needs those partnerships.

It shows what we can achieve when we think about how to apply our existing resources in new and innovative ways.

That is our challenge, in 2011 and beyond. We must take it upon ourselves to create a brighter, more hopeful future where greater value once again is placed on self-reliance. We must not be satisfied with answers from government – any government.

And we must do more to reach out to all our citizens for their solutions.

Think of this legislative session as a family council – all Idahoans drawn up around the kitchen table to discuss how to make the best possible use of what we have.

Those of us in this chamber are the facilitators of the public's will.

It is our jobs to lead and focus the family discussion, and to infuse it with the context and the facts that the people need to help light a clearer path forward.

This is not a time to rest on the support and confidence that the people recently expressed for us, or to retreat to the status quo.

Rather, it is a time to boldly redouble our efforts on their behalf.

It's time to make the extraordinary measures that were born of necessity these past years into the foundation for a new concept of governance for Idaho.

Governance that emboldens and frees individuals and communities from the soul-crushing tyranny of entitlement.

As Abigail Adams wrote, "It is not in the still calm of life, or the repose of a pacific station, that great characters are formed. The habits of a vigorous mind are formed in contending with difficulties. When a mind is raised and animated by scenes that engage the heart, then those qualities which would otherwise lay dormant wake into life and form the character of the hero and the statesman."

My friends, we have the opportunity now to be statesmen. But the people we serve are and must always remain the heroes of our great Republic, and of our Idaho Family.

Good luck in the days and weeks ahead. God bless you all. God bless America, and may God continue to bless the great State of Idaho.