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GOVERNOR

STATE OF THE STATE AND BUDGET ADDRESS

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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.

I am here today to report on my view of our state, and to provide you with recommendations for the coming year.

It is my pleasure to report that Idaho, having been tested by the Great Recession, now is emerging leaner, stronger, more resilient and better prepared to compete, prosper and prevail in the years to come.

Thank you for your leadership and for your partnership in guiding Idaho through a trying time for the people we serve, and for your civic virtue in staying true to our Idaho values.

I'm also proud and humbled to report today the successful and honorable homecoming of the men and women of the Idaho National Guard's 116th Cavalry Brigade Combat Team.

We also recently welcomed home about 100 Idahoans who were deployed to Iraq with the Army Reserve's 391st Engineer Company.

But it is my solemn duty to report that two of our courageous war fighters with the 116th Armored Cav lost their lives defending freedom during 2011 in a country half a world away. I ask that you keep Specialist Nathan Ryan Beyers, Specialist Nicholas Wayne Newby and their loved ones in your thoughts and prayers as you continue your work.

Along with Staff Sergeant Jason Rzepa, who was wounded and received the Purple Heart, they were among more than 1,500 Idaho members of the 116th who put their lives on the line for us.

And they weren't alone. Specialist Robert Dyas of the 1st Infantry Division; Corporal Devin Daniels of the 82nd Airborne, and Corporal Ryan Sharp of the 1st Infantry Division each gave the last full measure of devotion in defense of liberty during 2011.

They were our sons and our fathers, our brothers and our teachers, our students and our friends. They each will be sorely missed.

Now most of our valiant soldiers are home, once again helping make Idaho the best place in the world to live, to work and to raise a family. Unfortunately, that's not yet true of Sergeant Bowe Bergdahl of Hailey. He remains in the captivity of a Taliban-supported terrorist network in Afghanistan.

I know you join me in continuing to pray for his safe release and speedy return home.

Among those troops who have returned home, grateful for their freedom, far too many did so without a job.

That will change, because it must change. I believe we all can agree that these men and women have faced too much hardship fighting abroad for us to ask them to face more hardship back here at home.

And so I am pleased to report to you today that the Department of Labor, the Division of Veterans Services, the Military Division, the Department of Commerce, the Department of Education and all State agencies are joined in the task of addressing that challenge.

Ladies and gentlemen, the *Hire One Vet* effort is more than the right thing to do. It is our responsibility to ensure that our troops have the tools they need to resume their productive civilian lives. So I encourage you

to help however you can, and to continue making good on our shared commitment to those who safeguard our country's future.

Their plight is our plight. And their success is our success. I cannot put it any plainer than that.

Those veterans, and our children, are at the heart of the Idaho I want to see by the end of my second term as your Governor.

I want to see an Idaho that is more independent, dynamic, diverse, and built on a foundation of freedom, personal responsibility and public accountability. I want to see an Idaho focused not on scarcity or what we lack, but on a more prosperous and hopeful future for all of us.

It's with that Idaho in mind that I set my top two budget and policy priorities for 2012 and this legislative session. And the reality is, those two priorities are inseparable – jobs and education.

Almost everything we do this year will have an impact on those two priorities, which I'm confident you share. But let's talk first about the philosophy that underpins those priorities – the philosophy that has seen us through one of the worst economic downturns in American history.

About 14 months ago the people of Idaho elected us with the understanding that we would make economic growth and the creation of more career opportunities the centerpiece of our State government agenda. They entrusted us to deliver on our pledge to bring them a more efficient, effective and smaller State government, and to protect Idaho's hard-working taxpayers.

Our citizens expressed strong support for our emphasis on government doing more with less, as they have done, and our steadfast focus on living within the people's means. They embraced our ideas, encouraged our efforts, and recommitted along with each of us to putting the politics of the past in the past.

And they endorsed our opposition to federal programs and policies aimed at imposing greater burdens on taxpayers, locking up our natural resources with regulatory roadblocks, imposing top-down mandates, and creating one-size-fits-all government "solutions" to our challenges.

Thanks to your leadership and an understanding of our constituents' needs that I believe only citizen legislators can possess, the result is a State government that does not face, and will not face, the staggering deficits, layoffs, shutdowns, tax increases and other problems that are plaguing many other states.

But keeping our head above water in difficult times isn't good enough – not for us, and not for the people of Idaho. We are not here just to get by. We are here to help enable the people we serve to get ahead!

My three broad priorities when voters first elected me Governor were to encourage economic opportunity, ensure responsible government, and empower Idahoans to be the architects of their own destiny. Those remain the foundation of my approach to this job.

But circumstances have converged to raise the stakes.

You will continue to see my administration focus on re-establishing the proper role of State government in our lives. And you will continue to see our extraordinary Idaho independence and self-reliance assert itself in response to federal intrusions on our sovereignty and liberties.

But you also will see a greater emphasis on ensuring the efficiency and prudent frugality that we've established in every agency of State government during the past three years become standard procedure.

What we had to do then will become our new normal going forward.

And you will see a greater emphasis on building innovative public-private partnerships that leverage our limited resources toward advancing and achieving our shared goals. That's especially true when it comes to fulfilling the benchmarks of Project 60, putting more of our 65,000 unemployed Idahoans back to work, and preparing our citizens to fill more of the 18,500 jobs that now remain vacant in Idaho.

That's not just jawboning or wishful thinking. We're taking concrete steps to address the fact that employment growth – a lagging economic indicator – has been "lagging" far too long.

Unemployment is slowly starting to decline. We've seen some good news in recent months, with our jobless percentage at its lowest rate in two years. But unemployment remains at an unacceptable level.

And while what government can do is limited, as it should be, we can and will do a better job of reaching out to our businesses and employers as partners in this effort.

That starts at the top, and now Project 60 has a new ramrod. Jeff Sayer has taken over as Department of Commerce director. He brings with him a wealth of private-sector entrepreneurial experience, as well as

renewed energy, enthusiasm and commitment to actively engaging with the people who make our economy and our communities work.

And it's already making a difference.

Jeff is joining Roger Madsen at the Department of Labor, Bill Deal at the Department of Insurance, Brian Ness at the Transportation Department, Celia Gould at the Department of Agriculture, Gavin Gee at the Department of Finance, our colleges and universities and others to provide employers, job seekers and businesses looking to grow with the tools they need to succeed.

Jeff and Roger in particular also are working closely with local economic development professionals and community leaders all over Idaho. Their job is ensuring that we are fully prepared to take advantage of economic opportunities, and create even more with a well-trained and motivated workforce, targeted infrastructure investments and minimal government red tape.

They understand that the role of government – effective government – is not to create dependency, but rather to facilitate opportunity.

Is that the right path forward? Ask the hundreds of people who will be working for the new Chobani Greek yogurt plant being built in Twin Falls. In fact, ask anyone benefiting from the incredible economic growth and increasing business diversity being made possible by the success of our Idaho dairy industry.

Ask the hundreds of Idaho citizens who are drawing paychecks and paying taxes as a result of growth at ON Semiconductor in Pocatello, or the new Allstate regional customer service center in Chubbuck.

Ask any of the employees or supporting businesses benefiting from the growth of Ground Force Manufacturing in Post Falls or its new Under Ground Force expansion. Ask Scentsy, or any of the health science, research and technology businesses choosing to expand into The CORE in Meridian.

Other great Idaho companies like MetaGeek in Boise, Dynamis in Eagle, and PNW Arms in Potlatch also have the potential to substantially change our economic landscape.

Those examples, and many more, are tangible results of Idaho's entrepreneurs stepping up and expressing confidence in our future. And the key to their willingness to stake their future on Idaho is the degree to which we make a commitment to being partners for progress.

Partnership is the key to a new program you'll be hearing more about in the weeks and months to come. It's called IGEM, for Idaho Global Entrepreneurial Mission. It's patterned on successful programs in Utah and Virginia. A similar concept is being applied in Colorado, and industry increasingly is wrapping its arms around the idea.

So we're not reinventing the wheel here. In fact, our agriculture industry has had similar programs in place for years. We're just perfecting it for our universities, our communities, and more of our Idaho businesses.

IGEM involves industry, entrepreneurs, higher education, the Idaho National Laboratory and the Center for Advanced Energy Studies. Together, their focus will be on creating value on our campuses that will help our existing businesses grow, nurture the startup of new businesses, and create more jobs and opportunities for Idaho.

That will require a genuine commitment, some targeted investment and, perhaps most importantly, a significant cultural change in how our universities approach research and working with industry.

I appreciate our university presidents and the State Board of Education for partnering with us in that process. And I urge you to act decisively in support of the legislative efforts that IGEM will require. That includes funding collaborative research aimed at job creation.

Public schools throughout Idaho also are undergoing cultural and technological changes as we continue implementing the *Students Come First* reforms that you approved last year.

I'm committed, along with Superintendent Luna, to ensuring the success of those reforms. That's why my budget calls for fully funding *Students Come First*, including its technology and pay-for-performance elements.

The modest but targeted and responsible General Fund increase I'm proposing for public schools is the right path forward. It will help our limited taxpayer resources go farther and make our K-12 education system more effective and customer-driven.

Most importantly, fully funding *Students Come First* will help ensure the success of our Idaho students in an increasingly complex, connected and competitive global marketplace.

Preparing Idaho students for the wider world and for reaching their greatest potential right here at home is a constitutional responsibility for State government. And like supporting our veterans, it also happens to be the right thing to do – for our families, our communities, our economy, and our future.

When it comes to education, we cannot rely on the policies of the past to prepare our children for the possibilities of the future.

That's why I'm additionally proposing to fully fund the cost of enrollment growth going forward at our universities, colleges and community colleges. And it's my recommendation that we fully fund the cost of moving into and operating new facilities on those schools' campuses.

In that way we'll be addressing the top priorities identified by the presidents at those institutions.

Now I'd like to say a few words about our community colleges. Specifically, I want to mention an extraordinary example of collaboration between North Idaho College, the College of Southern Idaho and the College of Western Idaho.

As you know, there is a pressing need for more workforce training. In fact, the explosive growth of demand here in the Treasure Valley prompted the presidents and board chairs at NIC and CSI to actually defer their share of an additional $1 million in proposed funding for Fiscal 2013.

They said they would rather see the extra money go to the College of Western Idaho, which as you know is one of the fasting-growing community colleges in our nation's history. So with gratitude for their selflessness and appreciating their foresight, I'm honoring that request in my budget recommendation.

Ladies and gentlemen, I was at St. Maries High School a few weeks ago to mark the statewide completion of our Idaho Education Network's Phase One efforts. All 194 Idaho high schools now are connected to the IEN – almost a year ahead of schedule and 16 percent under budget.

In St. Maries, Principal John Cordell and Superintendent Joseph Kren have been champions of using technology and distance learning to improve and expand student achievement. The culture at St. Maries High, as is the case with so many of our schools throughout Idaho, has been one aimed at enhancing student achievement through a variety of learning options despite their remote and rural nature.

St. Maries already is working with North Idaho College, Lewis-Clark State College and other curriculum providers to demonstrate that the possibilities are limitless with an innovative and open mind. And there are plenty of those throughout Idaho, eager for the chance to expand their horizons as our *Students Come First* efforts will enable and empower them to do.

Like our students, Idaho's State government also must be prepared for the challenges ahead. Your understanding of the need to work for the best while preparing for the worst gave us the ability to draw more than $381 million from our various reserve accounts over four budget years.

Those funds were essential in helping Idaho weather economic hard times without anything like the dislocation and draconian measures that some other states were forced to take. That money helped us keep our credit rating high and our debt-level low. It helped us keep our taxes in check and our eyes on emerging from this extended downturn with a balanced and structurally sound budget. And we all know that's a prerequisite for the growth and renewed prosperity we need.

That's why the budget I'm submitting to you proposes to begin refilling our reserve accounts in preparation for the next unforeseen "rainy day." My Executive Budget calls for setting aside a total of $60 million in the Public Education Stabilization Fund, the Budget Stabilization Fund, and the new Higher Education Stabilization Fund.

That will help us maintain the kind of fiscal stability, certainty and responsibility that Idahoans deserve and employers look for in their State government. And that's what Idaho citizens will keep getting under my administration, with your help and continuing support.

By contrast, that's not what the American people are getting from Washington, D.C.

Despite the hard work of our fine congressional delegation, Idaho's brightest spot on the federal level in 2011 was doing what the courts refused to do. Congressman Mike Simpson deserves our praise and our thanks for his successful legislation restoring State management of wolves.

It helps that Mike was a former Speaker of this House. With that experience, and his growing influence in Congress, he knows what it takes to get things done that reflect the priorities and needs of the people back here at home. I'm proud that we are represented in Washington, D.C. by four experienced legislators who served with distinction in this building.

On the other end of the spectrum, as you know, the Obama administration's so-called "Patient Protection and Affordable Care Act" mandated establishment of a health insurance exchange in each state.

I have struggled with the federal imposition of this mandate, in part because Idaho was exploring ways to create its own market-based health insurance exchange long before the federal law was adopted.

Still, last September I allowed State agencies to apply for a grant to prepare for the federal law while we continue fighting it in court. My decision to allow the application to be submitted *simply preserved the opportunity* for you and all Idahoans to discuss our options and decide what's best for our citizens.

In the next few weeks we will continue to have those discussions – weighing all our options and the potential outcomes associated with each of them. But it's also important to remember that those discussions will be taking place in the context of the U.S. Supreme Court agreeing to consider the lawsuit that Idaho and 25 other states filed to protect the 10th Amendment rights of Idaho, and of the people, to choose.

My goal is to collaborate with you today on a principled path forward, so we're prepared for the health care environment that we'll have tomorrow. I look forward to hearing from you, and the people we serve, about our State role in ensuring that environment makes health care more accessible and affordable for all Idahoans.

Of course, health care is only one of the challenges that lay ahead for us.

We have little control over the vagaries of the world and national economy. But we can ensure that economic opportunity finds a welcoming home here in Idaho. Ladies and gentlemen, that's why I'm proposing that we set aside $45 million for tax relief in Fiscal 2013.

I have been discussing the form of that tax relief for some time now, with legislative leaders, business groups, tax experts and our citizens. There remains a wide diversity of opinion on how best to target tax relief. There are plenty of ideas, and just as many ways for us to crunch the numbers.

But there's also broad consensus on the need to reduce the burden both on our hard-working taxpayers and on those employers who are looking for opportunities to grow our economy while creating careers and livelihoods.

I look forward to hearing your proposals and working with you on responsible and forward-looking ways to keep more of our taxpayers' money in their pockets, where it will do our communities and our people the most good.

Beyond Idaho's borders, we are not tasked with addressing the shortcomings of the national administration or the consequences of its inaction and misplaced priorities. What we can do, and all we should seek to do, is set the best example possible of prudent, responsible, responsive and effective State government.

We can nurture and celebrate our private-sector success. We can encourage collaboration and partnership while protecting individual freedom. We can foster and remove impediments to opportunity. And we can seek to more equitably reward our most valued State employees for continuing in public service.

To that end, I'm proposing that we set aside $41 million from the General Fund in Fiscal 2013 to reward our most deserving employees, including our public school teachers.

But that reward should be structured in such a way that it gives management as much flexibility as possible. It also should be in the form of one-time payments, and it should be conditioned on tax revenues meeting our projections.

Before I go on, I'd like to take just a moment to recognize and offer my personal thanks to a long-time public servant who has been a mentor, a leader and a dear friend for generations of Idahoans.

General Darrell Manning is one of the most committed, conscientious and common-sense people I've ever had the privilege of knowing. He served in both chambers of this Legislature. He was Idaho's first Transportation director, and he's been a valued advisor and confidante of Governors and legislators for decades.

His recent decision to retire as chairman of the Idaho Transportation Board leaves a vacuum of knowledge, experience and institutional memory that will be difficult to fill. I am proud to have served by his side, and pleased to know that he will continue to answer my calls for his sage counsel.

General Manning, please stand and be recognized as we applaud your work for the people of Idaho.

With General Manning's support, I also want to announce today that Region 3 Transportation Board member Jerry Whitehead has agreed to take over as chairman effective in February.

I know you join me in welcoming Jerry to this new responsibility. And I ask you to join me in pledging our support and assistance to Jerry, the Transportation Board and Director Ness as they work as a team to develop plans and priorities for this essential part of our economic infrastructure.

It's been that team concept that has enabled us to refine our State government's processes these past few years. We've made them more transparent, seamless, responsive and stable. Most importantly, we have become better stewards of the taxpayers' money. And that's served to strengthen the foundation on which public confidence is built.

That's what being a laboratory of the republic really means. And it's what Idaho is perfectly suited to contribute to our national discussion.

Speaking of teams, last summer my staff and I visited with Boise State football coach Chris Petersen.

We asked the Coach how he's been able to keep upgrading the Broncos' success on the field. We asked how he's been able to build a national reputation for excellence with what's considered limited resources by today's college football standards.

What I took away from his answer was this: FOCUS.

Focus on the challenges at hand.

Focus on leveraging your strengths.

Focus on improving every day.

Focus on what you can control.

And focus on helping individual players understand how they can help achieve team goals while reaching their own academic and athletic potential.

That's a pretty good formula for success. It's a high standard, but one which I know everyone here today is committed to achieving for the people we serve.

Keeping faith with the Idaho way of life we inherited, and which we want to pass on, demands nothing less. That way of life is characterized by our Idaho values, including our independence, our spiritual strengths, our strong belief in self-determination, and our enduring love of liberty. Those values in turn are driven by faith in the broader American ideal that we as individuals have both the ability and the responsibility to make our future better than our past.

The responsibility we share as political leaders is to ensure that every individual Idahoan has the opportunity to realize that goal. To do that, we must be united to overcome common challenges. We must be consistent in nurturing success, and most of all we must be resolute in protecting our citizens in their efforts.

Ladies and gentlemen let me close today by expressing my sincere gratitude to you for agreeing to be a part of this process.

Thomas Jefferson wrote an 1801 letter that nicely expresses the importance of integrity to the workings of government. He wrote, and I quote, *"Of the various Executive duties, no one excites more anxious concern than that of placing the interests of our fellow citizens in the hands of honest men with understanding sufficient for their station."*

And I would add today, *"honest WOMEN."*

My friends, you have the understanding, the perspective, and the love of our State and our nation far more than "sufficient" for your station, and far more than "sufficient" for the challenges of the times in which we live.

Thank you and Godspeed.

Now, let's get to work!