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STATE OF THE STATE AND BUDGET ADDRESS

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

Happy New Year and welcome back to the People's House.

I know you join me in being grateful for the opportunity to continue our work together toward building a solid foundation for Idaho's future. Thank you for inviting me here to report on our progress in advancing the interests of the citizens we serve.

My goal today is to outline and invite your consideration and support for my key proposals in the coming year and beyond.

Before I continue my remarks, please join me in remembering and honoring Specialist Thomas Murach Specialist Mitchell Daehling, Staff Sergeant Octavio Herrera, and Captain David Lyon – the heroic Idahoans who lost their lives during 2013 while protecting our freedoms and way of life – as well as the 177 brave men and women of the Idaho Army and Air National Guard who were deployed in harm's way on our behalf this past year. Thank you.

But we all know that thanks alone are not enough to adequately demonstrate our gratitude to these valiant Idahoans. That's why I recently issued an Executive Order developed with the help of Senator Marv Hagedorn establishing the Idaho Veterans, Servicemembers and Families Coordination Council.

It formalizes a support structure for those Idaho citizens who have served or are serving in the Armed Forces – whether on active duty, in the Reserves, or in the National Guard, as well as their families. They deserve all we can do.

By now you all know that my administration remains committed to limited, transparent and accountable government that enables economic opportunity and empowers citizens to reach their own best potential.

I will not sanction growing our State government as fast as our economy, and I will continue to work for greater efficiency, effectiveness, stability and predictability in fulfilling the proper roles of government. Our shared commitment to those principles has seen us through some tough times, and it remains our best path forward.

Today I will focus my remarks on the highest of our duties as public servants – investing taxpayer dollars in Idaho's future in a way that is targeted, responsible and sustainable.

First – education.

The task force I assembled after the 2012 election to study how best to improve Idaho's public schools did an incredible job. I'm grateful for their service and their continuing commitment to seeing this process through.

The diverse membership effectively put aside politics and personal agendas in developing recommendations that I enthusiastically endorse.

I believe that implementing them will substantially move our policies in the right direction for Idaho's future. That includes making a significant start on a multi-year effort to restore funding to public schools that we withheld during the prolonged economic downturn.

It also involves carefully tracking how effectively taxpayer investments are put to work in our classrooms.

And I'm calling for greater transparency in that process, which should include online reporting of details about how local officials are improving the education experience and outcomes for students. That in turn will enable parents and patrons to hold teachers, administrators, trustees – and us – more accountable.

Ladies and gentlemen, process matters. Attention to the importance of process is why I appointed a task force representing a broad cross-section of stakeholders to carefully assess our options. Now that group has delivered its findings, and we must be just as careful in how we enact them.

I envision this process being as data-driven and as focused on outcomes as possible.

For that reason it is my preference that we write our fiscal 2015 investment in ink and the out-year investment plans in pencil so that we can better assess the local impacts of that funding.

In assessing those impacts, my task force also recognized the importance of the increased academic rigor we will see by successfully implementing the Idaho Core Standards.

I want to express my appreciation to you for having the courage and foresight to adopt those standards, understanding that meaningful work remains to be done. Senator John Goedde and Representative Reed DeMordaunt have been working with the State Board and the Department of Education to prepare legislation to further clarify the fact that we place the highest importance on the privacy and security of student data. I strongly support that endeavor.

The overarching goal of the task force recommendations is achieving the State Board of Education's benchmark of ensuring at least 60 percent of Idaho citizens between the ages of 25 and 34 have a degree or professional certification by 2020.

That goal and our proposals for achieving it have been enthusiastically embraced by the education community and by employers.

They are being elevated and advanced not only by the Board of Education but also by leaders of both parties as well as our state Workforce Development Council, the Department of Commerce and many other stakeholders throughout Idaho.

Indeed, the task force recommendations and the work that they are already inspiring promise to make the idea of "K-through-12" education obsolete. The standard for Idaho's commitment to education excellence and workforce readiness can perhaps better be characterized as "K-through-Career."

Now, I want that to sink in for just a moment: K-through-Career. It is a straightforward but profound way of describing our goals for building out and maintaining a continuum of education and training opportunities. It is a formula that emphasizes local autonomy and accountability as the keys to success not only for our schools but also for our communities, our economy, and most importantly for our students.

The recommendations put forward by the task force wisely call for locally drafted strategic plans designed to meet local needs while aligning with our statewide objectives. Local school trustees will oversee the implementation of those strategic plans to improve the education of their students, and the State Department of Education will monitor progress to enable local patrons to more effectively hold school districts accountable for meeting their own stated goals.

Those goals could include more comprehensively using technology in the classroom, more aggressively facilitating dual credit programs or more carefully fostering teacher mentoring efforts. It could mean providing greater focus on science, technology, engineering and math education; early reading competency or any number of other strategies for local success.

Of course, technology will be a critical part of this effort. The task force recommendations make it clear that the best course involves empowering local administrators to acquire whatever devices work best for their own students and in their own classrooms, and then ensuring those devices are accessible to every student. The funding that you approved last year for school technology grants began that process, which should continue.

But there are two important elements that I want to emphasize to you and to local school officials.

First, I want to make it clear that the buying power of our statewide purchasing process is available to local school districts and may help them obtain the devices they need at better prices.

Second, the Idaho Digital Learning Academy stands ready and is uniquely positioned to provide technical assistance, teacher training and advice on best practices – technically and academically. It can help schools more effectively use those classroom devices, especially in tandem with the Idaho Education Network.

As you know, the IEN already links every Idaho public high school.

And I'm pleased to be able to announce today that, with your continuing support, we expect to have every elementary and middle school in Idaho hooked up to our broadband Internet education system by the end of fiscal 2015.

A network of support also factors prominently into our response to rising concerns about the safety of students and staff in our public schools. With the haunting memories of Newtown, Connecticut still fresh on our minds, local and state officials studied what works across the country and then engaged in a first-of-its-kind multiagency exercise at Burley High School last August.

We've learned a lot about how to identify and address our security challenges, and school districts all over Idaho are benefiting. But in the end I believe one of the most important lessons learned was the absolute necessity of communication and building relationships of trust and support between parents, teachers, school administrators, first responders and law enforcement at every level before an emergency happens.

The Idaho State Police, Bureau of Homeland Security, the Department of Education, the Division of Building Safety and local sheriffs and police departments throughout Idaho are united in their commitment to building those relationships. To help further strengthen that bond, my budget recommendation includes a line item for local pilot projects aimed at improving school safety and security.

The key to building those relationships – to building any relationship – is listening. The Complete College America Alliance that Idaho joined three years ago is based on education leaders listening to what our students need in order to go on to post-secondary education, and what they need to succeed when they get there.

With the help of the Albertson Foundation and the leadership of the State Board of Education, this year we're acting on what we've learned. My budget calls for investing in high-demand programs at each of our four-year institutions. By adding instructors in targeted areas of study we can help break up the logjam in our universities' upper-division classes so students can keep progressing toward their degrees.

And in response to growing demand, I hope you will help me welcome our new University of Idaho president by approving my recommendation that we expand Dr. Chuck Staben's law school program here in Boise to a second year.

We also must continue investing in the strong collaborative relationship between our universities and the Center for Advanced Energy Studies. That's why my budget calls for adding \$1 million to our annual investment in that facility, which consistently yields incredible returns and value to Idaho's asset portfolio.

Sustaining our support for programs and partnerships at the Idaho National Laboratory is paying off with more career opportunities, as identified by my Leadership in Nuclear Energy or LINE Commission. And there's more progress to come as the INL works with private industry on developing safer, cleaner and more efficient small modular reactors.

Partnerships also are at the heart of efforts to improve our Workforce Development Training Fund program. You can expect to see more targeted use of grants for training employees not just for individual businesses, but for the market-driven growth of industry sectors that add value to Idaho's economy.

My focus on workforce development also includes more support for professional-technical education programs throughout Idaho.

I'm impressed by the work our community colleges are doing – from the new Aerospace Center at North Idaho College to the Applied Technology and Innovation Center being built at the College of Southern Idaho. And they are eager to do more. So I'm asking for both one-time and ongoing investments in an Advanced Manufacturing Initiative at all three of them, plus Idaho State University, Eastern Idaho Technical College and Lewis-Clark State College.

To help ensure affordable educational opportunity beyond high school for more of our citizens, I'm asking you to fund outreach programs in Idaho Falls for the College of Southern Idaho and in Sandpoint for North Idaho College, as well as a nursing initiative at the College of Western Idaho.

Speaking of CWI, I hope you'll forgive my personal pride in the great success that the newest of our community colleges is enjoying. It was born right here in this chamber seven years ago. Its public support, its growth and its synergy with Boise State University and others reflect more than the demand that had built up here in the Treasure Valley. It also reflects the sound judgment of the people of Ada and Canyon counties in investing in their own future. And it speaks to the excellence, responsiveness and accessibility of the product that President Bert Glandon and his team are providing for our citizens.

CWI is the kind of investment in which we all can be justifiably proud.

The same is true of the new Idaho Youth Challenge program in the northern Idaho community of Pierce. This nationally tested and proven model provides at-risk youth with a second chance and the opportunity to learn the values, skills and self-discipline they'll need to be responsible citizens wherever life takes them.

The Idaho National Guard has put together a great plan in Pierce, and its first class of students starts this month. It figures to grow over time to meet the needs of over 200 students each year.

That's 200 more young Idahoans each year with a second chance to prepare for life. That's 200 more young Idahoans each year with a chance to become productive, contributing members of society. Thank you for giving them that second chance.

And thank you for understanding that responsible management – personal or public – involves preparing for the future. Folks, during the most recent economic downturn we used almost all of the “rainy day” funds we had wisely socked away to avoid interruption or long-term damage to public services, most notably education.

We made the right decision these past two years to begin refilling those accounts, especially in light of the continuing instability in our national government's finances and support.

But we are not yet where we need to be in rebuilding our own fiscal buffer against that uncertainty.

So today I am recommending that \$35 million more be set aside in fiscal 2015 for our Budget Stabilization Fund, another \$29 million in our Public Education Stabilization Fund, and an additional \$7 million in our Higher Education Stabilization Fund.

That's a total of \$71 million toward ensuring our ability to keep on supporting the most important work of the State of Idaho – especially our K-through-Career goals – while striving to improve both in effectiveness and efficiency.

Addressing our education and workforce development needs is my top priority. I'm sure some will argue that the proposals I'm putting forward today are not bold enough, not front-loaded enough or simply not enough. But peaks and valleys are not the best way to manage any enterprise – public or private. These proposed investments are measured, manageable and within our means.

Their sustainability also is critically important to Idaho's competitiveness in the global economy. So while I appreciate your support for the tax relief we've been able to provide these past two years – and while I would love to see a third year – it's also my view that any effort to provide additional tax relief for our citizens must be in the context of advancing our goals for Idaho's education system.

I look forward to having a conversation about the merits of further ratcheting down our marginal income tax rates – both individual and corporate – and increasing the personal property tax exemption from \$100,000 to \$250,000.

But once again, my first priority is investing in what will help us achieve sustainable growth.

Another measure of our shared commitment to fiscal responsibility is the fact that our improving and growing economy has enabled the Idaho Department of Labor to reduce the standard unemployment insurance tax rate by almost 31 percent this year. Thanks to the great work of recently retired Director Roger Madsen and his team, the reduction will save tens of thousands of Idaho employers almost \$75 million in 2014.

That in turn will benefit us all by enabling those businesses to expand, improve and create Idaho jobs.

As our unemployment rate drops and demand keeps growing for skilled employees, the importance of workforce development and achieving our K-through-Career goals comes into sharper focus.

Another of my goals as Governor is to advance opportunities for outstanding Idahoans to play a bigger role in every aspect of our State government – from my Cabinet to the courts. I want the best people representing their neighbors. That’s why I appreciate Peggy Grover of Rexburg, who I recently appointed to the Idaho Potato Commission. She’s the first woman to serve on the commission in its long history.

And she brings passion, professionalism and an invaluable perspective to the marketing of Idaho’s most famous commodity.

Please join me in congratulating her on this historic achievement.

Speaking of achievements, last year I told you we were approaching one of the economic development benchmarks with which I’m sure you are familiar – Project 60. Well, as of the fourth quarter of 2013, Idaho’s overall economic activity was on a \$60 billion-a-year pace. In fact, our forecast gross domestic product for 2014 is \$62 billion.

But that is not the end of our aspirations for Idaho’s economy. Project 60 was only a temporary milestone – a symbol of our commitment to statewide progress and prosperity.

As we celebrate this success, we will continue aspiring to higher goals for Idaho’s future. We will focus on making targeted investments, creating skilled talent pools for our industries, expanding career opportunities for our citizens, and continuing our relentless efforts to drive down the costs of doing business.

Over the past couple of years, one region of Idaho has enjoyed particularly compelling success.

People all over the state have been asking me, “What’s happening in the Magic Valley? What are they doing, and how can we do it too?” What do big employers like Chobani, Glanbia, McCain Foods, Monsanto, Frulact and Clif Bar see in the people and possibilities of south-central Idaho?

Well folks, let me tell you, what some might consider the Magic Valley Miracle is something that every part of Idaho has the ability to emulate – leveraging our assets and resources in a way that adds value to our products and services in the marketplace.

From the city councils to the county commissions, from the urban renewal areas to the economic development organization, and from local highway districts to the Governor’s office – the Magic Valley is committed to planning and working together toward the shared goal of raising the tide of economic activity in a way that lifts everyone’s boat.

As Commerce Director Jeff Sayer likes to say about his agency, we “move at the speed of business” and put a premium on being exceptionally responsive to market opportunities. It’s a template we’re following, and an approach that Director Sayer and all our state agencies are continuing to build out statewide.

Together they are strengthening our workforce and infrastructure capabilities to help create the unlimited opportunity that’s elevating Idaho as a destination for success for such growing employers as Curtiss Wright-Scientech and Melaleuca in Idaho Falls, Plexus in Nampa and Involta in Boise.

While we work aggressively toward achieving our own Idaho goals, we also are responsible for ensuring Idaho’s voice and values are reflected in how national policies are implemented here in our state. Please accept my thanks once again for enabling us to at least be the project managers if not the architects of our own destiny in establishing a state-based health insurance exchange last year.

We continue working through the technology and policy implementation challenges imposed upon us by the national government and aggravated by our own early missteps. But I believe we are on the right path toward having our own technology in place, and I remain confident that our experience within the difficult context of Obamacare will continue to improve.

Because of your support, we retain our options and our opportunities for making the process and the outcomes better for Idaho citizens. I know the public debate will continue, but let me reassure you that we are far better off engaged than we would be on the sidelines.

I am equally convinced that we are doing the right thing by continuing to carefully study and learn from the experience of other states when it comes to Medicaid expansion. I appreciate the passion with which advocates both public and private seek our approval for expanding that program. I also appreciate the gravity of what some consider “leaving money on the table” for early financial support of expansion.

My concerns continue to be with the stability and sustainability of that federal support, and the risk of leaving Idaho taxpayers holding the bag for growing an entitlement that we simply can't afford as it's now structured.

Department of Health and Welfare Director Dick Armstrong and his team are closely tracking Medicaid expansion rollouts in states like Arkansas, Indiana and Iowa to learn where we can refine our own system so that care is more carefully focused on prevention, outcomes, and living within our means.

I repeat the commitment I made to legislative leaders soon after the U.S. Supreme Court found much of Obamacare constitutional in 2012 – I will not advance Idaho's role in that law's implementation without your advice and consent.

On the issue of Medicaid expansion, we should not jump into the deep end without knowing what's on the bottom. We must not risk our other priorities on the prospect of long-term support from a federal government that has not proven it can responsibly manage our money. So for this year, and until we are better positioned and prepared to succeed on our own terms, my answer remains no.

At the same time, Director Armstrong has proposed and I am seeking your support for a plan to begin systematically addressing another of our health challenges.

Routinely in Idaho, people with any combination of mental health and substance abuse issues are taken to local emergency rooms or county jails when their condition or behavior puts them or others at risk. Now, we all know how expensive an emergency room visit can be, and we can understand the frustration for individuals and their loved ones from repeatedly dealing with crises but not the underlying illness or addiction.

The Department of Health and Welfare is seeking start-up funding to develop three regional behavioral health crisis centers in Idaho Falls, Coeur d'Alene and Boise to serve area communities 24/7. The goal is to build community partnerships for long-term sustainability. The crisis centers can be modeled on the best practices of other states where such plans have been successful. And based on our own outcomes, efficiencies and partnerships, we can then discuss expanding the program to other regions of Idaho in the coming years.

Folks, this can work. The response to such programs elsewhere has been encouraging, and communities have been more than willing to join in these investments as they see declines in use of local emergency rooms, hospital beds and jail cells.

Now I want to draw your attention to another proposal aimed at sustainability – this one involving our most precious natural resource. The Idaho Water Resource Board and local water districts and associations throughout Idaho have been working hard to more actively and effectively manage the Eastern Snake River Plain Aquifer and other surface and underground water sources throughout Idaho for greater long-term stability. My budget recommendation includes \$15 million in one-time spending for specific water supply improvement projects from Mountain Home to Rathdrum and from Island Park to Arrowrock.

It is a critical investment in our capacity for responsible future growth.

One form of growth we don't want to encourage is in the wolf population that was imposed on Idaho almost 20 years ago. With your unflinching support, we were able to fight through the opposition of those who would make Idaho into a restricted-use wildlife refuge and take back control of these predators from our federal landlords.

We're managing them now, and they're a trophy hunting species. But the population is still growing, and our resources remain at risk. So I'm calling for establishment of a Wolf Control Fund and a State board to direct and manage it. My budget recommendation calls for a one-time allocation of \$2 million to get the fund started. That base then would be augmented with continuing annual contributions of \$110,000 from the livestock industry and a matching amount from Idaho sportsmen.

This three-pronged approach will provide the revenue needed to more effectively control Idaho's burgeoning wolf population and ease the impact on our livestock and wildlife.

Our wild and domestic herds already are benefiting from a step you took last year, and for which I'm grateful. Your agreement to provide seed money for the organization of four rangeland wildfire protection associations is paying off in spades.

In the midst of a bad 2013 forest fire season, Idaho wildfires overall burned 1 million fewer acres than in 2012, and the cost of fighting those wildfires was reduced by \$90 million.

That's thanks in part to the collaborative work of ranchers and other stewards of the range whose devotion to protecting the land where they live and work and willingness to roll up their sleeves is saving resources and lives. This also is an instance in which we are working effectively with a federal agency. Cooperation between the Bureau of Land Management and our own Department of Lands has been critical to training and equipping our local fire protection groups.

I anticipate this program expanding as more people see its proven benefits. It's a model of how we can work together in pursuit of our shared interests.

Unfortunately, that kind of relationship too often is either missing or unreliable in our dealings with the national government.

With the support of Idaho stakeholders, I submitted a commonsense management plan to prevent the need for listing the sage-grouse under the Endangered Species Act. Idaho's plan also ensures continued multiple-use of these federal lands, provides predictability for our ranchers and facilitates construction of a badly needed electrical transmission line across southern Idaho.

I've been assured that Idaho will have a seat at the table in crafting a solution to the sage-grouse issue, and I will hold federal officials to that commitment.

I encourage your continuing support for our efforts to engage Washington, D.C. on a whole range of issues that impact how our people live, work, build and pursue their dreams here in Idaho.

My friends, I firmly believe that the kind of conservative, sustainable policies I've outlined today are the best way to protect our traditional values while strengthening the foundation of our future. They are the product of tested, proven leadership that both honors and reflects our confidence in the people we serve.

Our path is as straightforward but as challenging as living within our means.

It is as simple but as complex as making government better without growing it bigger. It will require us to put aside partisanship and personal ambition in the public interest. And in this even-numbered year it will demand of us – as I've said before – a willingness to look beyond the next election to Idaho's next generation.

Here in Idaho, let us work together to make our State government more about building partnerships for growth and less about imposing limits on opportunity.

That's my hope and my goal as your Governor, for this session and beyond. More importantly, it is our shared charge and our sworn responsibility as public servants.

I look forward to your response and to reviewing the fruit of your labors in the days and weeks ahead.

Good luck, Godspeed, and may God continue to bless America and the Great State of Idaho.

Thank you.