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GOVERNOR

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.

Before I begin, allow me to add my welcome and best wishes to all the new members of the Idaho Legislature joining us here today. Thanks to each of you for bringing your life experiences and your unique perspectives to our important work here in the People's House.

I also have the privilege today of introducing newly elected Idaho Supreme Court Justice Robyn Brody to this chamber and to the Idaho Judiciary. Congratulations Madam Justice.

The new year also brings some key departures from the Executive Branch. I'm sure you join me in wishing Kevin Kempf god speed in his new national responsibilities after two eventful and successful years as director at the Department of Correction. We also are losing Sam Haws to well-deserved retirement from the Office on Aging. And Kelly Pearce's experience and leadership will be missed with his recent retirement as administrator at the Division of Building Safety. I extend my thanks and best wishes to them all.

Finally, this will be the last legislative session for Dick Armstrong as director of the Department of Health and Welfare. His stalwart and tireless leadership has set a high standard for whoever takes on that difficult and often thankless responsibility next. Dick will be retiring in June, and he'll be leaving big shoes to fill.

Ladies and gentlemen, it's my honor and privilege to report to you today that the State of Idaho is resurgent, and in fact is gaining a national reputation among states for our stability and our strength.

Our finances are secure. Revenue is exceeding expectations. Economic growth is outpacing the overall growth of government, and our own operations are more transparent and efficient than ever.

More of our people are working than at any time in our history. And wages are rising – slowly but surely – along with employer demand for more skilled workers.

Meeting that demand is among our most serious challenges, but we are facing it head on. And I know you share my commitment to finding Idaho-based solutions rather than waiting for our national government's dysfunction to get turned around.

So as we honor that spirit of independence and self-determination, I can testify to you today that our citizens are energized and engaged in growing our economy, improving our communities, caring for our families and neighbors, and most importantly in preparing our youth for a rapidly changing world.

Seldom has the future seemed either as hopeful or as uncertain. It is beyond our power, or that of any state government, to bring order to national and global turmoil. But it is our responsibility and our duty as elected leaders to preserve and protect the steady framework of opportunity that the people of Idaho need in order to confidently pursue their dreams and freely express their civic virtue.

That's why such a large share of the Executive Budget recommendations you have before you continue addressing our five-year plan for improving Idaho's public schools, as well as our efforts to create a seamless, sustainable education and training system extending from kindergarten through career for every citizen.

My budget recommendations are about more than fulfilling shared commitments and implementing task force recommendations. They are about more than living up to our constitutional responsibilities. They are even about more than providing for the skilled workforce that our employers need. Ultimately, my education funding proposals are about doing the right thing for the next generation of Idahoans, and laying a foundation for their own refinements and adjustments to keep pace with a dynamic global marketplace.

So allow me to briefly outline some of the most crucial parts of this next round of investments.

My first and most significant recommendation is for an ongoing allocation of \$58 million to continue implementing the career ladder pay model for our public school teachers. Along with the \$75 million that we invested in that effort during the past two years, this new and largest tranche will keep us on track to reaching our five-year funding goal for attracting and retaining more of the best and brightest educators available.

I'm also calling for an ongoing investment of \$2.5 million a year for leadership training of principals in low-performing schools, and \$2.5 million a year more to train school administrators on Idaho's teacher evaluation framework and process.

As we work to improve the competitiveness of Idaho's teacher pay, it's critical that we have a solid basis for rewarding excellence. Looking beyond the recent challenges that we've experienced with teacher evaluations, this training will help ensure that school administrators can professionally, thoroughly and meaningfully assess teacher effectiveness and help guide their professional growth.

Another of my K-12 budget recommendations is for \$15 million to help school districts cover the cost of higher health insurance premiums for their employees. That will help them avoid having to backfill those costs from discretionary funds that we only recently restored in the wake of the Great Recession.

Our task force recommendations called for investing a total of \$60 million a year in classroom technology statewide. We've allocated \$18 million so far. So now I'm asking for \$10 million a year more starting in fiscal 2018 to make achieving our remaining technology funding goals more manageable.

There's also an ongoing \$6 million request in my Executive Budget for improving teachers' professional development opportunities. The idea is to ensure that teachers have time to regularly share lesson plans and instructional resources, collaborate and learn from one another what works best in the classroom.

My funding recommendation additionally includes another \$5 million a year for expanding and improving college and career counseling in Idaho high schools. Based on our rising college enrollment rate, that kind of investment is helping more students, parents and educators determine the most appropriate options for enabling young people to "Go On" to higher education or career-technical training and certification.

I'm also urging you to continue supporting the STEM Action Center and its groundbreaking Computer Science Initiative. They already are having a significant impact on thousands of educators and tens of thousands of students. But the demand is there to expand their reach to help ensure every Idaho student and teacher gets the chance to embrace the STEM fields and the tremendous growth of career opportunities they provide. Proficiency in science, technology, engineering and math form an increasingly essential link between K-12 and career readiness. STEM education is critical to developing those skills most in demand in today's workplace.

Sometimes the challenges and complexities of life interrupt our best-laid plans for pursuing our own career opportunities, including our good intentions to complete a college degree within a traditional four- or five-year span.

So my budget recommendation for fiscal 2018 once again includes funding for an "adult completer" scholarship. It will provide an incentive for those with some college credits who have been away from school for at least three years to return to the classroom and finish up. It's an important part of our strategy for reaching the ambitious and worthy goal of ensuring that at least 60 percent of Idahoans between the ages of 25 and 34 have a college degree or certificate by 2020.

In pursuit of that goal, I'm recommending the transfer of \$35 million to the Permanent Building Fund for higher-education facilities throughout Idaho. That includes \$10 million for a Center for Material Science at Boise State University, \$10 million for the University of Idaho to build the Center for Agriculture, Food and the Environment or "CAFÉ" in the Magic Valley, \$10 million for Lewis-Clark State College to construct a Career-Technical Education building adjacent to the proposed Lewiston High School CTE facility, and \$5 million toward remodeling the Gale Life Sciences Building at Idaho State University.

Let me call your attention now and encourage your support for an effort to make post-secondary education in eastern Idaho more affordable for students, more competitive for businesses and more attractive and responsive to employers. I'm speaking of course of the campaign to turn Eastern Idaho Technical College in Idaho Falls into a full-fledged community college.

Establishing a College of Eastern Idaho will spur economic growth and complete a comprehensive statewide system of affordable community college options, along with North Idaho College, the College of Southern Idaho and the College of Western Idaho.

This body already has set aside \$5 million for startup costs. Now the people of Bonneville County must decide at the polls in May whether to invest in their own future by advancing plans to provide better opportunities for students and families, for those looking to improve their career readiness, and for businesses looking to locate or expand.

After seeing the difference that the College of Western Idaho has made here in the Treasure Valley, after seeing how quickly CWI has grown to meet pent-up demand for new educational opportunities, and after seeing the overwhelmingly positive response from employers, the College of Eastern Idaho campaign has my full and enthusiastic support.

For those of you from Ada and Canyon counties, I also support and urge your positive consideration of the College of Western Idaho's efforts to expand its Nampa campus and build a new campus in Boise. CWI is bursting at the seams, with an enrollment of 20,000 students just eight years after opening with 1,200. The employers who provide jobs and tax revenue here in the valley are relying on your help to meet the need.

My other higher education budget priorities continue to reflect a K-through-career emphasis. They focus on workforce development and expanding programs at our four-year institutions and community colleges that support such in-demand career fields as energy, computer science and the health professions. That includes a \$2.4 million request to expand residency programs in graduate medical education that are needed to address our chronic shortage of physicians and other health care providers, especially in Idaho's more rural areas.

As many of you know, Idaho ranks near the bottom nationally in the number of doctors and medical residents per capita. In addition, a significant percentage of our physicians are approaching retirement age. But we also know that there's a better-than-average chance that when aspiring physicians do their residencies in Idaho, they will stay in Idaho to practice.

That's why I'm grateful for the work of stakeholder groups in developing a plan for increasing medical residencies and implementing other solutions to Idaho's physician shortage. That includes significantly leveraging my budget request for expanding residency programs with federal funds.

A genuinely historic development toward making health care more accessible for all Idahoans is the Idaho College of Osteopathic Medicine. Idaho's first medical school is being developed on the Idaho State University health sciences campus in Meridian, with construction set to begin early this year. ICOM plans to have its first class of students begin their studies in 2018. It already has secured 78 new residency positions for eventual ICOM graduates at hospitals throughout the region, with more on the way. So I hope you will join me in embracing the opportunity and welcoming this important new institution to Idaho.

I also want to offer my thanks and congratulations to the community leaders responsible for making our Behavioral Health Crisis Center program such a success. The third of our community facilities opened in Twin Falls about a month ago. It joined sites already operating in Idaho Falls and Coeur d'Alene, and a fourth in the works here in Boise, in providing an accessible, cost-effective alternative to jail or emergency room visits for those struggling with mental health or substance abuse issues. They are providing significant savings on law enforcement responses and hospital costs, and already have become critical parts of local systems of care.

My budget recommendation includes \$1.5 million to cover the remaining costs of standing up the Twin Falls and Boise facilities. Once again, these are investments that can save our communities millions of dollars a year on the costs of emergency services, and that means less stress on local taxpayers.

To continue improving our statewide mental health system, I'm also requesting \$10.3 million to build an adolescent mental health facility in the Treasure Valley. That also would cover the cost of remodeling a unit at State Hospital South in Blackfoot as a secure mental health facility.

Now let's talk for a minute about our spending priorities and living within the people's means.

It's no surprise that we all want tax relief. For some it's the top priority of this legislative session. But I would remind you that together we have reduced the tax burden on our citizens during my tenure by about \$1 billion. And you soon will have legislation before you to cut the base tax rate for unemployment insurance paid by Idaho employers by 6.3 percent this year. That's \$46 million in tax relief in the coming year alone, and \$115 million over three years.

I am as committed as ever to limiting the size and growth of our State government, and we continue to make many of the efficiencies realized during the Great Recession a part of our standard operations. But I also understand the costs of failing to invest prudently and sustainably in our future. So I will not entertain anything that undermines our commitment to meeting our essential State government functions. At the top of that list are our investments in improving education and career readiness in Idaho.

We're not alone in our efforts to build and improve Idaho's workforce. From STEM education to advanced research, we have a strong partner in the Idaho National Laboratory. It was great to hear recently that a \$1.6 billion state-of-the-art facility for handling spent fuel from the Navy's nuclear warships will soon be built there.

Now we're working with the INL to strengthen the capabilities at our colleges and universities by collaborating on one of our most complex challenges – addressing the growing threat of cyberattacks like the one against Fish and Game's online licensing system last year. You soon will be seeing the work product of the cybersecurity task force led by Lieutenant Governor Little, and I ask you to take its findings seriously.

Because make no mistake: We got off lucky last time. Cyber-crime and even cyber-warfare are very real and growing threats. The next hack here in Idaho could target more critical infrastructure, including our electrical grid, industrial control systems, military equipment or even our personal vehicles.

The INL is a world leader in cybersecurity, and our partnerships there are positioning our three universities to be on the cutting edge of addressing the global challenge. Work already is under way to establish and expand a joint cyber lab that I proposed, and you funded, last year. But we can do more to protect ourselves and secure our future. So now I'm encouraging the Legislature to express its support for an even more substantial step toward Idaho leadership in cybersecurity, supercomputing and new nuclear technologies.

The State Board of Education, the INL and our universities are working to finance and build two world-class research facilities near the Center for Advanced Energy Studies in Idaho Falls. The Cybercore and the Collaborative Computing Center would be financed and owned by the State but paid for by the INL through lease payments. And those payments would continue for decades – long after the buildings are paid off – providing a continuing revenue stream for higher education.

But this initiative will pay dividends far beyond our budget. It will help to address our workforce needs by growing a talent pipeline for the INL and related Idaho industry. And perhaps most importantly, it will enable more of Idaho's best and brightest students to find high-paying career opportunities right here at home.

Folks, we all aspire to be more self-reliant. We strive for it in our personal lives as well as in the operation of our State government. Few federal edicts in recent years have been more intrusive or more damaging to our self-determination than the Affordable Care Act.

There is broad agreement in this body on the need to help tens of thousands of Idahoans with incomes too high to qualify for Obamacare subsidies but too low to afford health care coverage on their own. Just as clearly, there is very little support for expanding Medicaid. I understand that. It would mean subordinating our Idaho priorities to the siren song of federal dollars that neither the national government nor taxpayers can afford.

So beyond continuing to seek elusive answers to the policy questions that we've been asking for years, we now have the option of waiting to see what the Trump administration and Congress do with Obamacare.

But waiting by itself is seldom a solution. Instead, while we wait I would encourage you to seek ways to make Idaho less dependent on the feds. That includes continuing to build local partnerships and encouraging marketplace innovations that address our Idaho goals of improving health-care accessibility and affordability.

However, I believe that waiting in this case is not entirely an exercise in kicking an oversized can down the road. I mentioned earlier that our immediate future is marked by hope and uncertainty. Nowhere is that dichotomy more striking than in the upcoming change of leadership in Washington, D.C.

While few people know just what to expect from the President-elect or his Cabinet, I am far more hopeful than anxious about the promise of a new and better day in the relationship between the federal government and the states.

Dealing with Obamacare should be only the start. This is uncharted territory. There is no history or precedent from which to project. But I for one look forward in the years ahead to seeing renewal of a national commitment to the principles of federalism on which our system of government was founded.

For years now, we in the West have been frustrated by the increasing imposition of the federal government's will over our livelihoods and quality of life. Regulatory bureaucracies and entrenched interests have become practiced at reaching far beyond the letter of such laws as the Clean Air Act, Clean Water Act and Endangered Species Act to essentially nullify the commonsense stewardship of states and local jurisdictions.

I am optimistic that President-elect Trump and his team will work to ensure that meaningful reforms are implemented to keep such agencies as the EPA, the BLM, the Forest Service and the U.S. Fish and Wildlife Service in check. Their focus must be shifted to working more collaboratively with states to develop national policies that are flexible enough to accommodate local needs and realities.

I recently provided the new administration with some detailed advice for improving the federal approach to such issues as protecting sage-grouse and their habitat, delisting grizzly bears, and developing needed energy infrastructure like the Gateway West electrical transmission project in southern Idaho.

I hope and trust that my advice will not fall on deaf ears, because Idaho has an exemplary record of managing and protecting our own natural resources. Our own citizens and communities have the civic virtue and proven know-how to ensure our lands and resources are responsibly used for the long-term economic and recreational opportunities they can provide.

I am not advocating for the State to take over the more-than 60 percent of Idaho owned by the federal government. But we should continue expanding on the efforts we've made so far to realize the potential of such Idaho values as active management and local stewardship. Our initiative to improve water sustainability is a great example of how Idaho can do very well caring for our own needs without punitive federal oversight.

Simply put, states need the opportunity to be full and equal partners in decisions that affect the land, water, wildlife and other resources within our borders. States must be enabled to be the architects of our own destiny.

We in Idaho already are making great use of those rare opportunities where real collaboration with the states is actually encouraged by the feds. Good Neighbor Authority granted under the 2014 Farm Bill invites Idaho to increase the pace and scale of forest and watershed restoration work on federal forests.

Under agreements reached through the program, Idaho is playing a more active role in improving the health of our intermingled timberlands. That's reducing fuels and the threat to communities and watersheds from catastrophic wildfires while creating more jobs and economic benefits for our citizens. So I'm recommending the allocation of \$250,000 for additional foresters to keep advancing that effort.

And thanks to your support, the Rangeland Fire Protection Association program has been growing in popularity and impact. There are eight groups organized so far throughout southern Idaho. The informal BLM program provides training and equipment for local ranchers and other landowners to offer a first-attack capability that helps stop range fires before they devastate the landscape. In the past year, about 250 Idaho ranchers provided fire suppression assistance on more than 7.7 million acres of federal, state and private lands.

As a fringe benefit, letting Idaho ranchers protect the land from which they draw their livelihoods also serves to protect sage-grouse from habitat-destroying wildfire – the single biggest threat to their survival.

Folks, federalism can and does work, but only when it involves willing partners. This past election has provided us here in the West with a window of opportunity to make broader and better collaboration between the federal and state governments a reality.

Voters have expressed a desire for government that works, both here in Boise and in Washington, D.C. They're tired of timid representation that seems more concerned with the next election than the next generation. They want government that reflects their highest aspirations and understands that individuals – as well as states – must have both the tools and the freedom to rise up and meet their own best potential.

If the recent national election taught us anything, it's that the people are still in charge – not factions; not special interests; not the news media – not even the political parties. I'm proud that Idahoans voted in support of real and substantial change in our national government and against stuck-in-the-mud business as usual.

Now it's up to us to put the lessons of 2016 to work for Idaho. Now it's time to recognize that differences on policy, personality or priorities do not mean differences in principle. More than ever, we now have the opportunity and the responsibility as citizens to help secure Idaho's future.

So good luck and thank you for your attention, your talents and your willingness to serve. My door is open, and I look forward to your conscientious and constructive work during this 1st regular session of the 64th Idaho Legislature.

May God continue to bless Idaho and the United States of America.