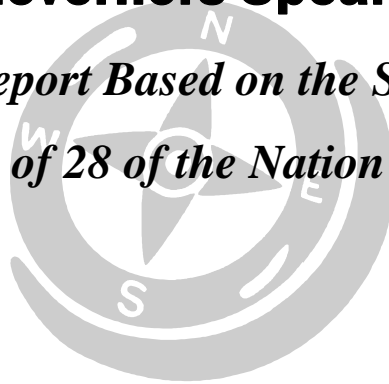


The Governors Speak—2005

*An Interim Report Based on the State-of-the-State
Addresses of 28 of the Nation's Governors*



By Thad R. Nodine, Ph.D.

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Introduction

SEVERAL THEMES PERMEATE the governors' 2005 state-of-the-state addresses, and some of the most predominant ones focus on improved economic and budgetary outlooks for the states. According to the governors' speeches delivered in time for this analysis*, the economy in most states appears to be turning around, and the recovery seems to be spreading. Likewise, the budget picture in most states appears to be improving. In 2003, the words *fiscal crisis* were distributed throughout the governors' addresses. Last year, many leaders described improving economic conditions in their states, but were still clearly in a *deficit* mode in terms of state budgets. This year, many governors are still grappling with state deficits, but state revenues appear to have picked up to the point where several governors are employing a modest use of the word *surplus*.

“Having passed through the storm,” one governor said, “it is time to take our bearings and chart our course anew.”

In light of these more brisk economic times, having suffered through the difficult political, economic and social choices of lean budget years, many governors are using their state-of-the-state addresses to prompt their states to strike out in new and more ambitious directions. “Having passed through the storm,” one governor said, “it is time to take our bearings and chart our course anew.” To be sure, many states continue to face structural deficits in the upcoming year. Even those governors with projected state surpluses face difficult budgetary decisions. As the speeches make clear, however, more governors this year are enduring the choices of moderate opportunity rather than outright fiscal crisis. This is not to say that in mapping

out new plans for the upcoming years, governors are rethinking their outlook or point of view. Far from it. Rather, they are describing an opportunity for renewed energy and commitment in light of improved economic conditions.

In terms of the paths that governors are taking, the following stand out:

- ⊕ **Economic Development.** Governors are not just emphasizing job growth, but rather a particular *kind* of job growth. Even more so than in previous years, governors are enthusiastic about attracting high-paying jobs to their states *now*.
- ⊕ **Education.** More governors are talking about school finance reform than are talking about educational accountability. Also, in calling attention to increases in test scores in their states, governors are emphasizing on-going efforts to improve education, particularly in teacher training and pay, early childhood education, and the reform of high schools.
- ⊕ **Health Care.** The discussion of health care costs and reform remains at the top of many state agendas. In the somewhat improved economic climate of 2005, however, the discussion of “the quiet crisis” of health care is more subdued than last year. As in previous years, there appears to be no single or broad approach to the challenges states face as they seek to expand health care delivery while keeping down costs.
- ⊕ **Natural Resources.** Compared with previous years, governors appear to be adopting the language of environmental planning, “responsible” development of natural resources, open space conservation and other forms of “smart” or “sustainable” growth.
- ⊕ **Homeland Security.** This year, governors mentioned initiatives in homeland security less frequently than in 2003 and 2004. Almost all governors paused in

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* For a list of states included, see source information at the end of this report.

their speeches to honor the sacrifices of National Guardsmen, the armed forces, and military families.

Governors vary widely in how they approach their state-of-the-state and inaugural addresses. Some deliver long orations detailing a wide range of initiatives; others use the occasion to speak briefly about general priorities; still others immerse their audiences in the specific politics and negotiations of the moment. A governor might have launched a groundbreaking initiative in an area, but due to the circumstances of the speech or the political needs of the occasion, she might not mention it. Another governor might have accomplished little in a particular arena, yet he might emphasize it in order to garner support for the efforts of a task force or other deliberative body whose recommendations are not yet completed.

Because of these realities and differences, state-of-the-state addresses cannot be expected to provide a comprehensive summary of the policy initiatives in any one state. Across the country, however, state-of-the-state addresses do provide a snapshot of the pressing issues facing governors as a whole. Taken together, and particularly in comparison with previous years, these speeches can provide a litmus test of the issues that are emerging, the overall challenges that governors are encountering, and the policy directions they are selecting. State-of-the-state addresses illuminate the trends that are surfacing and the priorities that are rising to the top of state agendas.

State Economic and Budget Picture

The prevailing message of governors' state-of-the-state addresses for 2005 is the improved economy — and improved state revenues as well.

In their 2003 state-of-the-state addresses, many governors described stark economic conditions in their states, and lamented the persistent downturn in the national economy. That year, about 87 percent of governors described severe budget crises facing their states. They depicted these crises in the following ways:

- ⊕ “... the worst fiscal crisis since World War II ...”
- ⊕ “... a budget shortfall of historic proportions ...”
- ⊕ “... the largest budget deficit in the state’s history...times 2 or 3 ...”
- ⊕ “... most severe fiscal crisis in modern history ...”

In 2003, **Texas Gov. Rick Perry** was the only governor who described a state budget surplus in his state-of-the-state address.

In their 2004 speeches, 89 percent of governors who described economic conditions in their states said the economic picture was improving. Yet with projected state revenues lagging well behind projected outlays, almost all governors were also still firmly locked in the grips of projected deficits: of those who described their state’s budget outlook, 91 percent said they were still in crisis mode or facing very difficult choices as they sought to cut spending levels. Many governors also discussed uneven economic recovery in their states, particularly in rural areas. In 2004, three governors – **Colorado Gov. Bill Owens**, **North Dakota Gov. John Hoeven** and **Wyoming Gov. David Freudenthal** – referred to state surpluses.

In their 2005 state-of-the-state addresses, governors were more upbeat about the economic recovery, its impact on state residents, and its effects on the state budget. *Every* governor who described the state economy (24) portrayed it as improving. As **Massachusetts Gov. Mitt Romney** said of his state, “Massachusetts is back.” Many governors described increasing employment rates, and decreasing unemployment rates. Of the 21 governors who described the state budget picture, 57 percent (12) said they were working to bring down spending in order to balance their budgets. But 43 percent (9) said they were working within a budget projected to either be in balance or with a surplus.

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In light of the improved economic conditions in their states, many governors appeared to be using their 2005 state-of-the-state addresses to mobilize resources for new initiatives. As **Georgia Gov. Sonny Perdue** said, “Having passed through the storm, it is time to take our bearings and chart our course anew.” For example, 25 percent (7) of the 28 governors who delivered speeches in time for this analysis described long-term, structural, state budget problems that needed to be addressed, and almost 20 percent (5) called for reform of the tax code. Moreover, about 57 percent (16) described efforts to save money through efficiencies in and reforms of state government. In addition, many governors proposed a wide range of tax incentives to spur economic development and attract high-paying jobs to their states. And many proposed reforms in health care and adjustments in education.

In short, 2005 continues the pattern set in 2004: an improving state economy and higher state revenues, yet difficult budget decisions remain. As **Minnesota Gov. Tim Pawlenty** said, “More budget work needs to be done, but we’ve made tremendous progress.”

Taxes

Even more so than last year, the vast majority of governors spoke out against any increase in taxes in 2005. Of the 24 governors who mentioned taxes or revenue reform:

- ⊕ **Tax Reductions or No New Taxes:** 83 percent (20) described tax reductions they had implemented, proposed new tax reductions or said they opposed any tax increases.
- ⊕ **Tax Increases and Reductions:** 13 percent (3) proposed tax increases coupled with tax reductions as part of overall tax reforms.
- ⊕ **Tax Increase:** One governor proposed an increase in taxes on cigarettes in order to pay for health care programs.

Of the 19 governors who identified tax reductions: 42 percent (8) favored some form of reduction of business taxes to spur economic activity; 21 percent (4) favored some form of tax reduction for individuals; and 37 percent (7) proposed tax reductions for both

businesses and individuals. Tax credits to spur job growth was the most popular form of tax relief for businesses; the governors of **Colorado, Georgia, Idaho, Indiana, New Mexico, North Dakota, Rhode Island** and **Washington** described proposals in this area. **Arizona Gov. Janet Napolitano** proposed tax credits for businesses that partner with universities for research, as well as tax relief for manufacturers. **New Mexico Gov. Bill Richardson** and **New York Gov. George Pataki** highlighted tax credits for high-tech businesses. Other state examples of targeted tax reductions for business include: tariff reductions on the cost of shipping oil (**Alaska**); tax relief for farmers and/or small businesses (**Georgia, Indiana, New Mexico, North Dakota, Washington** and **Wisconsin**), and tax incentives for venture capitalists (**Wisconsin**).

Tax reduction plans for individuals include: reductions in state property taxes (**Massachusetts, New Hampshire, Rhode Island, South Dakota, Vermont** and **Wisconsin**); tax relief for working families (**Colorado**); increases in the homestead tax credit (**North Dakota**), elimination of the tax on food (**Virginia**), elimination of the tax penalty on single parents (**New Mexico**), a one-day back-to-school sales tax holiday (**New Mexico**), and an income tax exemption for low- and middle-income earners (**New Mexico**).

As part of overall tax reform efforts: **Indiana Gov. Mitch Daniels** proposed tax relief for small businesses and an income surtax on those making over \$100,000; **South Dakota Gov. Michael Rounds** proposed to streamline sales taxes in order to provide property tax relief; and **Utah Gov. Jon Huntsman** proposed eliminating the corporate income tax over the next few years while increasing sales and income taxes.

Economic Development

As in 2004, governors this year emphasized the need for job growth, particularly in high-paying jobs. Last year, many governors emphasized “new” forms of economic development — in particular, private/public/university partnerships that could transform the state economy in areas such as biotechnology, biomedicine, nanotechnology, ethanol

and biodiesel production, and other high-tech industries. In the governor's 2005 addresses, there were many mentions of this kind of long-term development, but there was also an increasing emphasis on simpler, short-term tax and business development incentives—many directed to small business—for those companies that are offering new jobs *now*.

Of the 25 governors who described their plans for economic development:

- ⊕ **Research and High-Tech:** 68 percent (17) described initiatives focusing on research and high-tech fields that often included partnerships between business and universities and that spanned from medical research to development of ethanol and biodiesel capabilities.
- ⊕ **High-Paying Jobs Now:** 64 percent (16) described initiatives to attract job growth in high-paying fields immediately. These included proposals to promote job growth, through tax credits and other means. In some cases, the tax credits kicked in only if the jobs were above an established income level.
- ⊕ **Effects of Global Economy:** 44 percent (11) described economic development initiatives specifically related to the global marketplace — either because the global economy was forcing the state to transform its business plans, or because the state sought new international trade opportunities.
- ⊕ **Education and Training:** 40 percent (10) described workforce training or other educational opportunities that were important in improving the state economy.
- ⊕ **Importance of Natural Resources:** 28 percent (7) described the role of environmental and natural resource planning in creating and maintaining a strong economy.

For many governors, initiatives in each of the areas above are closely related and serve a complex yet crucial aim: to succeed in a highly competitive global economy, each state must value, build upon, and sustain its human and natural resources.

Education

As in previous years, governors this year continued to emphasize the importance of education both to advance economic development and to help residents succeed. In 2005, however, more governors are talking about school finance reform than are talking about educational accountability. Also, governors are calling attention to increases in test scores in their states.

Educational Accountability. In 2003, 41 percent of governors described efforts related to increasing accountability in the schools and holding the course on school reform. In 2004, this percentage dropped to less than a quarter (22 percent). This year, about 30 percent (8) of the 27 governors who discussed education issues described efforts to maintain or increase educational accountability in the schools, but an equal percentage praised the schools for increases in test scores and other performance measures over the past year. Rather than calling for widespread efforts in educational reform, the governors continued to describe initiatives in discrete areas, particularly teacher quality, high schools and early childhood education.

Finance Reform. In 2005, one of the more popular reform topics for the schools focused not on education but on *finance*. Forty-eight percent (13) of the 27 governors who discussed education emphasized the need for broad fiscal reform. For instance, governors called for reforming or simplifying the education finance system, improving the efficiency of schools, cutting down on administrative costs, creating greater fiscal transparency for school districts and reforming the pension system.

As in 2004, the most commonly cited efforts to improve educational programs involved teacher quality and/or teacher compensation, with 67 percent (18) of the 27 governors who discussed education describing efforts in this area. Of the 18 governors who discussed teacher quality or teacher compensation issues:

- ⊕ **Teacher Training:** 56 percent (10) addressed issues relating to teacher training and development. These efforts included establishing master teacher and other mentoring programs in the schools, improving the certification system, hiring math and reading specialists, and establishing alternative certification programs.
- ⊕ **Teacher Compensation:** 50 percent (9) proposed to increase teacher salaries.
- ⊕ **Merit Pay:** 39 percent (7) called for plans to develop merit-based compensation systems for teachers, or incentives to attract teachers to high-need fields or low-achieving schools.

High Schools. A number of governors also addressed high school reform. Of the 27 governors who discussed education issues, 52 percent (14) focused on the need for improvements in high school, a jump from 11 percent who did so in 2004. Examples include: dual enrollment in college, virtual high schools (to increase access to AP courses), increased availability of tutoring, improvements in the high school curriculum, and enhanced connections with colleges. None of the governors used the term, “pre-K to 16,” but many of their initiatives could be considered as efforts to improve high-school-to-college rates. One governor, **New Mexico Gov. Bill Richardson** called for an education system that is “seamless, from start to finish.”

Other Education Initiatives. Of the 27 governors who addressed education issues:

- ⊕ **Early Childhood Education:** 33 percent (9) supported or proposed programs to enhance early childhood education through improved or expanded preschool programs, a rating system for child care providers, and expanded access to full-day kindergarten. Many governors were supportive of regular and on-going increases in the percentage of children who have access to preschool, but there does not yet appear to be a groundswell of support for universal preschool (primarily because of the lack of sufficient funding).
- ⊕ **Charter Schools:** 30 percent (8) supported efforts to promote and expand charter schools.

- ⊕ **Parental Involvement:** 22 percent (6) described initiatives to increase the level of parental involvement in their children’s education, including training programs for parents of young children, incentives for getting parents into the classroom, and mandatory parental preparation courses in failing schools.

Higher Education. Almost three-quarters (74 percent) of governors who discussed education issues described plans to support or improve higher education. In general, governors continued to emphasize the state’s role in sustaining higher education opportunity for state residents. However, many governors also called for increased accountability of the postsecondary enterprise. Of the 20 governors who mentioned higher education:

- ⊕ **Access and Affordability:** 70 percent (14) discussed plans or funding to increase access in college, including need-based scholarship programs, tuition assistance for the National Guard, and funding increases to allow for larger student enrollments. In comparison, 24 percent of governors discussed these kinds of plans last year.
- ⊕ **Research and Business Partnerships:** 45 percent (9) described initiatives and incentives to promote research and business partnerships to improve the economic conditions and employment prospects in the state. This is about the same level of attention this topic received last year.
- ⊕ **Accountability:** 35 percent (7) called for or outlined plans for greater accountability in higher education, including performing top-to-bottom reviews, tying funding to completion rates, improved performance in teacher training, and developing standards of performance. Very few governors called for greater accountability for colleges and universities last year, though several did raise concerns about the affordability of college.

Health Care

Medical costs continue to weigh heavily on state resources, business growth, and family pocketbooks. Last year, governors placed health care costs front-and-center when they described the economic difficulties facing the state. This year, the discussion of health care costs and reform remained at the top of many state agendas. Twenty-five of the 28 governors who delivered speeches discussed health care issues, and of those 25, three-quarters (76 percent) discussed the high costs of health care and/or the pressing need for health care reform. In the somewhat improved economic climate of 2005, however, the discussion of health care was more subdued than last year. **Kansas Gov. Kathleen Sebelius**, for example, referred to health care delivery and costs as “the quiet crisis” for her state.

As in previous years, there appeared to be no single or broad approach to the challenges of health care delivery and costs. In this year’s addresses, many governors urged federal action to improve health care access and bring down costs, while at the same time forging forward with their own plans in several areas. Of the 25 governors who mentioned health care issues:

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- ⊕ **Children’s Programs:** 52 percent (13) proposed or supported initiatives related to children’s health, including immunization, health plan coverage, psychiatric care, breakfast programs, and physical education programs in elementary schools and newborn screening programs.
- ⊕ **Prescription Drugs:** 48 percent (12) discussed initiatives to bring down the costs of prescription drugs, through state purchasing, discount cards for seniors, purchasing from Canada and the like.
- ⊕ **Medicaid:** 44 percent (11) discussed issues related to Medicaid coverage, including state funding to address gaps in coverage, reducing administrative costs and unspecified changes in benefits.

- ⊕ **Health Promotion:** 40 percent (10) emphasized state efforts to promote healthy habits, particularly in areas related to obesity, diet, exercise and smoking.
- ⊕ **Targeted Health Conditions:** 40 percent (10) focused on the need to address specific health conditions, particularly mental health, substance abuse, diabetes and cancer.
- ⊕ **Long Term Care:** 36 percent (9) described plans to improve seniors’ options for long-term care, including awareness campaigns for families, state-sponsored long-term care insurance, improved monitoring of nursing homes and other efforts.
- ⊕ **Uninsured:** 36 percent (9) addressed the need to expand health insurance coverage for the uninsured.

Natural Resources

Compared to previous years, more governors appeared to be adopting the language of environmental planning, “responsible” development of natural resources, open space conservation, and other forms of “smart” or “sustainable” growth. In 2004, about 53 percent of governors who mentioned environmental issues discussed the importance of or offered proposals in land use planning, including protection of open space, identifying and protecting agricultural lands, creating sustainable plans for growth and the environment, and forestry planning. This year, 79 percent (19) of governors who mentioned environmental issues described efforts in these areas. Moreover, whereas in 2004, governors referred to environmental planning primarily for its own benefits, in 2005, several governors emphasized the importance of environmental and natural resource planning for economic as well as aesthetic purposes.

In addition, of the 24 governors who mentioned issues relating to the environment and natural resources:

- ⊕ **Energy:** 58 percent (14) offered proposals or support for energy development or transmission, in many cases both through traditional and renewable means.
- ⊕ **Environmental Cleanup:** 42 percent (10) discussed efforts in encouraging reduced emissions, reclaiming land, adopting acid rain standards, and the like.
- ⊕ **Greening of State Government:** 21 percent (5) discussed plans to promote conservation and the use of renewable energy sources in state government.

Homeland Security

Virtually all governors paused in their speeches to honor the sacrifices of members of the National Guard, the armed forces, and their families. Many introduced state National Guardsmen who were seated in the audience.

Compared to the previous two years, governors in 2005 mentioned initiatives in homeland security much less frequently. In 2003, about half of governors addressed issues related to homeland security. In 2004 and 2005, about 38 percent and 29 percent did so, respectively. The efforts of the eight governors who did mention homeland security were widespread, including the creation of overall plans for homeland security, the development of consolidated intelligence facilities, the use of federal funds to coordinate first responders, state coordination with private industry to protect critical industrial sites, and legislation to prevent cyber-terrorism.

Source Information

This analysis is based on the 2005 state-of-the-state or inaugural addresses of 28 governors. This includes all governors whose state Web site had posted their addresses by January 21, 2005. A final version of this report, to be released in March, will include additional states and additional and revised analyses, such as in social services and corrections. All 2005 state-of-the-island addresses of governors of U.S. territories that are available on the Web will be included in the final edition of this report.

All 2005 speeches used in this report were accessed by text version at the official Web site of each state from January 24 to January 28, 2005. The following governors' addresses are included in this report:*

Alaska Gov. Frank Murkowski	Idaho Gov. Dirk Kempthorne	New Hampshire Gov. John Lynch*	South Dakota Gov. Michael Rounds
Arizona Gov. Janet Napolitano	Indiana Gov. Mitch Daniels	New Jersey Acting Gov. Richard Codey	Utah Gov. Jon Huntsman
Arkansas Gov. Mike Huckabee	Iowa Gov. Tom Vilsack	New Mexico Gov. Bill Richardson	Vermont Gov. James Douglas*
California Gov. Arnold Schwarzenegger	Kansas Gov. Kathleen Sebelius	New York Gov. George Pataki	Virginia Gov. Mark Warner
Colorado Gov. Bill Owens	Massachusetts Gov. Mitt Romney	North Dakota Gov. John Hoeven	Washington Gov. Christine Gregoire*
Connecticut Gov. M. Jodi Rell	Minnesota Gov. Tim Pawlenty	Oregon Gov. Ted Kulongoski	Wisconsin Gov. Jim Doyle

* Governors marked with an asterisk above delivered inaugural addresses rather than state-of-the-state addresses.

Georgia Gov. Sonny Perdue	Mississippi Gov. Haley Barbour	Rhode Island Gov. Don Carcieri	Wyoming Gov. David Freudenthal
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Comparisons with 2004 were based on the 2004 state-of-the-state addresses delivered by 43 governors, the 2004 budget address of **Pennsylvania Gov. Edward Rendell** and the 2004 inaugural address for **Louisiana Gov. Kathleen Babineaux Blanco**. Since there was no state-of-the-state, budget or inaugural address available for **Arkansas, Montana, Nevada, North Carolina** or **Texas**, these states are not included in the analysis of 2004 information.

Comparisons with 2003 were based on the 2003 state-of-the-state addresses of the governors of 45 states, the 2003 budget addresses of the governors of 3 additional states (**Maine, Pennsylvania** and **Tennessee**), and the governor’s FY 2004-05 budget summary for one state (**New Hampshire**). Since there was no state-of-the-state address, budget address or budget summary available for **Louisiana**, this state was not included in the analysis of 2003 information.

About the Author

Thad R. Nodine, Ph.D., is president of Nodine Consulting and senior writer and editor at the Institute for the Study of Knowledge Management in Education (ISKME). His areas of expertise include shifts in public priorities for education policy; effective public policies for the educational continuum, from school readiness to completion of undergraduate study; the opportunities of evidence-based and performance-driven strategies to achieve better educational outcomes; and improving the ways educational systems use information and knowledge to advance student learning. Most recently, he is co-author, with Lisa Petrides, of: *Knowledge Management in Education: Defining the Landscape*; “Using External Accountability Mandates to Create Internal Change,” in *Planning for Higher Education*; and “What Schools Can Teach the Corporate World: Balancing People, Processes and Technology in Education,” in *KM Review*.