

*****The 2013 State of the State*****
Montana Governor Steve Bullock
as prepared for delivery
Wednesday, January 30th – 7 p.m.
Montana House of Representatives

Lieutenant Governor Walsh, Mr. President, Mr. Speaker, Members of the 63rd Legislature, and honored members of the judiciary. My fellow statewide officials, tribal leaders, members of the Cabinet, and my fellow Montanans. My wife Lisa, our three children, Caroline, Alex and Cameron.

My name is Steve and I work for the state. I, like my 12,000 coworkers, arrive at the jobsite each day to serve the people of Montana. It is an honor and pleasure to be the public servant entrusted with delivering this address.

Any change of administration naturally brings change to the Governor's mansion – changes in substance, style, and perspective.

With the Bullocks moving into the neighborhood, some of that change is unavoidable. It's been 40 years since the predominant noise emanating from the Governor's mansion has been the sound of young children – children playing, laughing, just being kids. That noise will be a daily reminder to me . . . and I hope to all of us . . . of the reason we were sent here. Montana voters sent us here to make all our children's and grandchildren's futures brighter, more hopeful and more prosperous here in the state of Montana.

If we are genuine in our concern for our children's future, we'll be as careful with the state's money as we teach our children to be with theirs.

If we accept that this is more about their generation than ours, we will enter this building every day committed to creating even greater opportunities than we had.

If we are truly committed to making our children's future brighter, we will invest in our education system. From before they enter kindergarten to the time they leave higher education, we must prepare them to succeed in a 21st Century economy.

And if we are sincere in our concern for the next generation, how we deal with one another matters, not only during this session but also throughout the campaigns that bring us to these positions of public trust. Every day, our kids watch what we do and learn from our example.

Members of the 63rd Legislature, I ask you to join me. What I ask of you tonight is simple and straightforward:

First, be responsible with our budget, because I won't allow you to spend more than we take in or make cuts that undermine our long-term stability.

Second, join me in focusing on creating jobs, investing in education, and making government more effective; and

Lastly, act in a manner that we're not ashamed to have our children watching... because they are.

I am taking these principles to heart, and we've hit the ground running to create better jobs, better schools and a more effective government.

A company recently came to the state of Montana and said they'd like to locate a manufacturing facility in Great Falls, but they needed a workforce ready for the high-tech welding and fitting they do. These high-paying jobs are exactly the kind that Montana should be attracting. That's why we've already been working with Great Falls College. They will begin training workers to fill these jobs, and this company is now committed to investing in the Electric City.

As part of this new program, we'll also ensure that students at the high schools in Great Falls can graduate with the certificates that will make them attractive candidates for these great jobs.

Not only is that better jobs, but it's better schools, too.

I've pledged to bring a more effective government to Montana – and we're doing that already, too. This Thursday, for the first time ever, Montana's checkbook will be online. We'll have a searchable database so that any Montanan – or anyone in the world, for that matter – can look at how we are spending the taxpayers' money. It's the right thing to do and it'll lead to a more effective government.

While there are some things I can accomplish without your active engagement and partnership, there are other areas where we need each other if we are going to make progress.

Crafting a budget is one of those areas where we need each other. Montana is the envy of other states: our unemployment is lower and our economy sounder. While nearly every other state's budget is awash in red ink, thanks to good fiscal management, Montana has amassed a half-billion-dollar budget surplus.

Our state is strong and we're growing stronger.

To continue improving our position, Montanans want us to take a balanced approach: Let's save some, invest some and give some back.

Saving some ought to be simple. I have asked that you leave this legislative session with a rainy day fund, enough money in the bank so I don't have to call the legislature back to Helena eight months or a year from now.

That means that we're going to have to prioritize, just like families do in your districts. Our priorities must start with addressing the essential services Montanans need and the long-term liabilities those before us created. Keep in mind that if I pull out my veto pen, it might not be personal, it might just be fiscal.

We can also invest some. I ask you to join me in prioritizing job creation, education and a more effective government.

The first step you should take in creating jobs and investing in education is to put politics aside and pass the J.O.B.S. Bill.

Montanans have earned a reputation for working harder than our counterparts in any state in the country. The quality of our workers attracts businesses to invest here.

But we can't expect to develop a 21st Century workforce in 20th Century conditions. The next generation of plumbers and welders, nurses and imaging techs, diesel mechanics and carpenters are learning their trades in substandard facilities.

The Missoula College was built in 1956 for 700 students and now has an enrollment approaching 3,000.

Last week I visited the Automotive and Diesel Program at Havre. It has 200 students, a 100% placement rate, and some graduates earn a starting salary better than a Governor. But without our investment, this program cannot grow.

And it's not just Missoula and Havre; many of our facilities are outdated and operating beyond their capacity. The young Montanans who are willing to invest in higher education deserve better.

That's why Rep. Galen Hollenbaugh and I – along with the Montana Chamber of Commerce, the Montana Contractors Association and others – have joined together to propose record investments in our educational facilities.

It's called the J.O.B.S. Bill, which stands for Jobs and Opportunity by Building Schools. We can take advantage of historically low interest rates and immediately create thousands of jobs across the state – and do it without raising taxes.

Stand with me and the over 2,500 construction workers we want to put to work building world class schools for our world class workforce.

And while we are at it, let's make sure that those 2,500-plus construction workers newly employed by the J.O.B.S. Bill are our friends and neighbors.

Right now, we have a law on the books that is supposed to require that at least half of the workers on any construction project funded by state or local tax dollars be Montana residents, but it's riddled with loopholes and not enforceable. When taxpayer money is funding a project, let's put Montana companies and Montana workers first.

Let's work together to close these loopholes and expand this requirement to *all* projects – not just construction. And let's also significantly increase the proportion of Montana workers required on any state or locally funded project. I hope you will join Rep. Amanda Curtis and me to pass this measure so we can put more money into the hands of Montana businesses and create more jobs for Montana workers.

And as we put Montana companies and workers first, we must not forget the First Montanans. In my budget I proposed full funding for Indian Country Economic Development. I also insisted that the funding become permanent, so year-after-year American Indians don't have to come, hat-in-hand, asking for these job-creating funds. Unfortunately, in the first few weeks of this legislature, that funding has already been cut in half. I ask that this body – if you're serious about job creation for *all* Montanans – restore full funding for Indian Country Economic Development and make that funding permanent.

Investing in our students and educational institutions requires more than bricks and mortar that are in our J.O.B.S. Bill.

For generations, the quality of our education system has been recognized as the key to economic growth and job creation. But our public schools are even more than that – they are, truly, the great equalizer. Regardless of where we are born or how wealthy our parents are, our public schools open the doors of opportunity to all Montanans. They even helped a kid who couldn't – and still can't – sit still become the Governor of the greatest state in the country!

As the father of a fifth and second grader, and a kindergartener, no issue is more important to me than extending the opportunities afforded by a good education to Montana's next generation.

Our schools and the incredible teachers who educate our kids, give us much to celebrate. Montana 8th graders outperform every other state in the nation in reading and math, and are second in science. Our High School graduation rates are up and our dropout rates are down. And we are increasing the rate at which Montana residents are getting college degrees faster than any other state in the nation.

But we're not done.

It's not where we start, but where we finish. We know an educated workforce is the foundation for a prosperous economy. So let's commit to increasing the number of Montana adults with a post-secondary degree or professional certificate to *at least* 60 percent over the next decade. Given that we are now at about 40%, this is an ambitious goal. The future of this state will be shaped by whether we rise to meet it, and I have asked the Commissioner of Higher Education to join me in committing to this goal. And I ask the same of you, because we can't do this without you.

I have included proposals in this budget that move us in this direction.

- Offering college classes to more high school students will help them recognize that higher education is within their reach and will give them a jump start on earning college credits. That's why I am asking that you help our two-year colleges expand and enhance dual credit programs.
- If a student starts at Dillon they shouldn't have to reapply and get different financial aid packages if they choose to take classes at or transfer to Butte. We can make it easier for students by creating a universal enrollment system, so students at Miles Community College have access to courses at Montana State University, and so we can also bridge the hundreds of miles between rural Montana and our universities.
- We aren't going to produce more college graduates if the cost of college is beyond the reach of Montana families. Let's not kid ourselves – as cautious as this body is about raising taxes, when tuition increases because higher education isn't adequately funded, that's a tax on tens of thousands of working families across our state. My budget includes an agreement to freeze tuition across the university system. I urge you to honor it.
- Many college students today have recently returned home from serving our country in the armed forces. These soldiers, sailors, Marines, airmen and women must know that our state will do everything we can to help them succeed. This morning, I went to the airport and welcomed home 45 soldiers from the Montana National Guard who had just spent a year in Afghanistan. I told them our commitment was strong and Lt. Gov. Walsh and I would ensure that we live up to the promise all of us made the day they signed up.

That's why I asked this legislature to invest in our university system and make certain that we are providing the services and the space to meet veterans' needs – the wrap-around services that will reintegrate these heroes back into civilian life and on our college campuses. When I got back from the airport, I found out that, while I was gone, a legislative committee cut the funding for these critical services for returning vets. I urge you to restore these funds, live up to the promises we've made and welcome these warriors home with more than just words.

If we are serious about training tomorrow's workers, our commitment must begin not when our kids first enter college or the workforce, but rather when they first enter the world.

We can't wait until kindergarten before we take an interest. The evidence is compelling: every dollar we invest in early childhood education returns up to \$9 to our communities. Early learning programs work. Children involved in early education do better in math and English, are much more likely to graduate from high school, and are a third less likely to be arrested as a juvenile.

Unfortunately, Montana is dead last in the nation – 50th out of 50 – in state investment in early childhood education.

That's unacceptable.

We can't expect the federally funded Head Start program to carry the entire burden. Some local communities have stepped in to make sure these youngsters are given a better chance. Great Falls saw that a modest investment in pre-K programs led to a dramatic shift in kindergarten readiness, setting these students – and our state – on a much better path for the future. Other communities have seen the same.

As a first step, I urge this body to expand the proven "Stars to Quality Program" and make the long overdue investment in school readiness. I've laid out a plan that will create 100 more high-quality early childhood programs, getting 600 more families and 1,000 more children ready for school, annually. It's a proven high-return investment that will produce long-lived benefits for the students and our economy.

And our commitment and investment must continue throughout their schooling.

In the 1980s, voters created the Montana Lottery specifically to help fund Montana schools. But, by the 1990s, the legislature began raiding that fund for non-education projects. It's time we did right by our bosses and their kids. I ask for your support of my proposal to return the profits from the Lottery to the public schools they were intended to support.

My budget also includes additional funding for the highly successful Jobs for Montana's Graduates program. I first learned about this program from former Governor Marc Racicot, who brought the program to Montana. The graduation rate for at-risk teens involved in this program is an amazing 98%. The vast majority of these graduates then go on to jobs, military service, or higher education. After just 14 months on the job, the taxes these kids pay have already repaid the cost of their participation in the program.

Technology has pushed Montana into a global marketplace, but far too many of our schools are lagging behind. The phones in our pockets have better Internet access than many of the classrooms in our state. That's why I also support further investing in our schools, and using state resources to help school districts modernize and acquire today's technology.

We can and we will work together to invest in and improve our public schools.

In making even modest investments in early childhood education and technology improvements for our schools, I am asking that you look beyond the immediate, beyond this session or even the length of time you and I will be entrusted with serving the public. It isn't always easy investing now for later returns, but that's what leaders do. I'm asking you to look beyond the immediate in other areas, too, including transforming the way we deliver healthcare, so we can create jobs and take care of those who need our help the most.

To have a healthy economy, we need healthy citizens. For those of us with health insurance, we're paying too much and getting too little. And for the tens of thousands of Montanans who don't have insurance, the Emergency Room has become a primary care facility, pushing costs for all of us even higher. The fact is, subsidizing expensive ER care for the uninsured costs Montanans \$300 million a year. That makes no sense when there is a smarter, cheaper way to provide better care.

Through Access Health Montana, we are proposing a made-in-Montana solution designed to increase coverage and access to health care for more Montana families. It will also create a patient-centered delivery system that focuses on coordinating care and improving health, rather than simply treating illness. Implementing these measures will allow us to better control and ultimately lower the costs of health care – slowing the annual rate hikes that hit all of our wallets.

This is an opportunity to reduce costs and expand access to quality care for nearly 70,000 more Montanans.

And it's more than that. Access Health Montana will create more than 5,000 new jobs next year alone, by bringing millions of dollars of new economic activity to Montana. It will cut costs by improving preventative care and because those with insurance are more likely to visit a doctor instead of a high-cost hospital emergency room.

Medicaid expansion is federally funded, so if Montana doesn't expand its Medicaid program, then our tax dollars will be used to help patients in states like Arizona, Nevada and North Dakota – states where Republican Governors are leading the effort to expand Medicaid. Let me make this point abundantly clear: if we fail to act, Montana taxpayer dollars will be used to provide health care to the citizens of states thousands of miles away, while our rates will continue to go up year after year.

It's time we set the politics aside on this issue. Politics won't treat diabetes. Extremism won't create jobs. And intransigence won't provide health care for those who can't afford it.

Under Access Health Montana, I also propose increasing by 25 percent the number of seats in the WWAMI program, which allows Montana medical students to attend medical school with other students from the Northwest. This program has been extremely successful in

encouraging doctors to come back to our cities, towns and rural areas to practice. But there hasn't been an increase in the number of positions open to our students through WWAMI in over two decades.

Tonight, I ask each and every member of this legislature to take the longer view, and lead the way by focusing on the health and welfare of our neighbors. Let's work together to put Montanans first and use their hard-earned tax dollars wisely.

It's that same longer view that will allow Montana to help lead America to energy independence. With the responsible development of our coal, wind, oil and gas, hydropower, biofuels and geothermal capacity, we are creating jobs and strengthening our rural economies.

But for some communities in Eastern Montana, the rapid growth associated with the energy boom is creating immediate infrastructure problems. That's why I've proposed creating a grant program for communities affected by oil and gas development. I ask that we invest \$15 million dollars in providing matching funds to affected cities and towns that do not get a share of the increased revenues that county governments and school districts receive from oil and gas development.

We must also meet our responsibility to fix a long-term problem created by our predecessors. I have outlined a detailed plan that will shore up our retirement systems and do so without raising taxes.

I look forward to working with this body to ensure we craft a plan that honors our commitment to Montana's public servants – a plan that doesn't go back on the promises we made to the snowplow drivers, prison guards, teachers and other middle-class workers who are our friends and neighbors.

As I've already described to you, saving some for a rainy day is simple. I also believe that we can wisely invest our resources to create jobs and improve education.

Giving some back ought to be equally simple. I believe we're more likely to create jobs if we invest in working families, small businesses, farmers and ranchers, and students. In my book, an investment on Main Street is an investment that will pay off, right here in Montana.

Some disagree with me. They believe we'd be better off if we focused on helping multi-national corporations that have their headquarters in Pennsylvania, a PO Box in Delaware, bankers on Wall Street, and lobbyists in Helena and Washington.

Don't get me wrong; other than when they're spending their shareholders' money in our elections, I like the out-of-state corporations that are investing in, and employing, Montanans. I welcome them and want to work with them to create jobs and invest in our state.

But when Montana is already ranked as having one of the country's best tax climates for business, let's never allow misinformation to be the motivation for missteps -- let's evaluate tax rebates and cuts with our eyes wide open.

I propose returning \$100 million back to the pockets of Montana homeowners. I recognize that others have suggested we should use that \$100 million and provide property tax cuts, instead. The difference between the tax rebate and tax cut is simple: who stands to benefit?

Giving \$100 million back in the form of a tax rebate will return \$400 to everyone with their primary residence in the state. When you put a check in the hands of Montana taxpayers, they're going to take that money downtown and spend it at the small businesses along our Main Streets.

If you take the \$100 million and use it to cut property taxes, instead, the average Montana homeowner would receive just \$44 this year, not \$400. Think about that – it will take 10 years for the taxpayer to get as much money back as they'll get this year with the rebate.

Yet, if you are a company like PP&L, the proposed tax cut would reward you with over \$1 million this year alone – 23-thousand times more than what the average homeowner would receive.

If we consider who stands to benefit from our actions, the path we should take becomes clear. We have the opportunity to return money to hardworking Montanans and create \$100 million dollars of economic activity – in Montana. This rebate won't blow long-term holes in our budget and it won't saddle future legislatures – or future generations – with the Washington, D.C.-style deficits that Montana has avoided during this recession. Let's not miss this chance.

The same goes for cuts to the Business Equipment tax, which is a tax on the market value of equipment a business owns. The last legislature reduced this tax rate, across the board, for every company in the state.

Let's take the next step and *eliminate* that tax for 11,000 Montana businesses – two-thirds of the companies that pay it.

Doing so will directly benefit the Main Street businesses in your communities. The Parrot Confectionary has been making and selling candy on Last Chance Gulch in Helena since 1922. Under my proposal, the Parrot would no longer pay this tax. Chinook Windows in Great Falls manufactures and distributes windows made for the harsh Montana climate. They can use the business equipment tax dollars they've been paying to further invest in their business. Under my proposal, the Iron Horse in Missoula would also have a little more breathing room in their bottom line.

From manufacturers to restaurants and taverns to service providers, 11,000 Montana businesses will no longer pay this tax, freeing up thousands of dollars they can invest in their

businesses or employees. We have the opportunity to stand with the vast majority of small and medium sized businesses in this state – let’s not miss that chance.

As we focus on creating jobs, investing in education and making government more effective, let’s behave in a manner that will make our children proud.

I have already been trying to change the tone in the halls of this building. I hope you’ll join me in doing so.

I hope you will also help me preserve the integrity of our elections.

One-hundred years ago, our ancestors came together – not as Democrats or Republicans, but as Montanans – to take control of their destiny.

Those forward-thinking Montanans knew that our elections – the cornerstone of our democracy – should be about our principles, our ideas, our beliefs and our plans for the future. Our campaigns should be vigorous debates about the problems we face and the opportunities that lie ahead.

And they knew that our government should be about the people – lending a hand to those who need it, bettering this place we love, ensuring that the next generation has opportunities even greater than we enjoy.

Since then, our leaders have always been our friends and neighbors, and they have looked out for our interests. In the century following the passage of the Corrupt Practices Act, Montana has benefitted from a strong citizen democracy.

In the past several years, however, more money than ever before has been spent on political campaigns – both at the national level and in Montana. As Attorney General, I fought to preserve our citizen democracy and stem the tide of this corporate money in our elections.

We have seen the rise of so-called “dark money” groups that target candidates, yet refuse to tell the voting public who they really are and what they really represent. They hide behind made-up names and made-up newspapers. They operate out of PO Boxes or Washington, D.C. office buildings. They falsely proclaim themselves the guardians of Montana’s traditions.

These groups believe they can violate our laws and corrupt our government in order to create a system that benefits their special interests.

Montanans deserve better.

The entire nation is looking to us to continue our fight to preserve our citizen democracy. We can show those who believe elections can be bought and sold what democracy really means – government of the people, by the people and for the people.

Help me reform our laws, so that any organization spending money during the course of an election reveals the amount it spends and the source of its money. Help me make sure that, as voters and as investors, we know who is spending and how much.

Together, let's guarantee that our elections will never be auctions, controlled by anonymous bidders. We owe nothing less to our ancestors who reformed our government a century ago and we owe nothing less to our kids who will inherit the government we run today.

There's an old saying – if you don't know where you're going, any road will get you there. But we know where Montana must go: better jobs, better schools, a more effective government.

We have a lot of work to do, but tremendous opportunities lie ahead. Let's use our time in office wisely. Let's build on – but not be constrained by – the progress of the past. Let's be resolute in keeping our focus forward and to the future.

At the end of any one of our terms. . . yours or mine. . . we will be measured by the progress we have made. And the true measure will be taken not by the politicians or pundits, but by our children. Let us not forget that it is to them we are most accountable.

God Bless Montana's children and families, God Bless Montana, and God Bless America. Thank you.