



C.L. "BUTCH" OTTER  
GOVERNOR

**STATE OF THE STATE AND BUDGET ADDRESS**

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Mr. Speaker, Mr. President, honorable legislators, distinguished jurists, friends, my family, our First Lady, my fellow Idahoans: It is my high honor and distinct privilege to stand before you today to deliver my 12<sup>th</sup> and final State of the State and Budget Address.

It is my great good fortune to report to you that the State of Idaho is prosperous, positive, and poised for even better times ahead. Our population is growing fast. Our citizens are striving for a future with more opportunities and even brighter prospects. And our State government is leaner, more fiscally responsible, more transparent, more responsive, and better prepared than ever to help Idahoans achieve their own best potential.

Our books are balanced. Our fiscal obligations are being met. Our credit is strong. We are planning wisely, working collaboratively and investing sustainably. Our national politics often is dysfunctional, but in Idaho our government processes are sound and our policies and priorities reflect the will of the people we serve.

Of course there is room for improvement. As with all things human, there are shortcomings and frailties in our government that could benefit from thoughtful change. Just as certainly, any change can be difficult or even painful to achieve in a state as prudently conservative as Idaho – especially when it comes to questions of government's proper role in our lives. Yet it is my firm belief that over the past 11 years of overcoming natural disasters and manmade challenges, stubborn political divisions and devastating economic recession, together we have constructed a stronger, more durable foundation on which we and the people of Idaho can build.

And we will build, and grow, and keep changing for the better – not because of any particular ideology or due to our own well-intentioned leadership, but because of the creative genius, the entrepreneurial spirit, and the native independence and self-reliance of our citizens. They are the source of Idaho's greatness.

As a State government, we benefit enormously from tapping into that deep well of sage advice and counsel. I hear it at the coffee shop in Star and walking around downtown Boise. I hear it each month at the nearly 100 Capital for a Day events we've held in every corner of our state. More formally, there are some 4,800 Idaho citizen volunteers serving at any given time on our State oversight and advisory boards and commissions – from accountancy and aging to water resources and workforce development. They are and will remain an indispensable ingredient of our success, working quietly and tirelessly to ensure all voices are heard in the councils of government. They deserve our support and our thanks.

I also want to express my gratitude to our extraordinary State employees whose hard work and dedication help us all succeed. So let me begin by saying that my Executive Budget for fiscal 2019 includes a 3-percent pay increase for the men and women who make our State government one of the best run in America.

Allow me to also express my thanks to Major General Gary Sayler, Health and Welfare Director Dick Armstrong, Commerce Director Megan Ronk, Idaho State Police Colonel Ralph Powell, Court of Appeals Judge John Melanson, Supreme Court Justices Jim Jones, Daniel Eismann and Warren Jones, and many others who left State service in the past year.

Now please join me in welcoming new and newly elevated members to our official State of Idaho family – Adjutant General Michael Garshak, Health and Welfare Director Russ Barron, Commerce Director Bobbi-Jo Meuleman, Idaho State Police Colonel Ked Wills, Labor Director Melinda Smyser, Tax Commissioner Janet Trujillo, Drug Policy Administrator Nicole Fitzgerald, Court of Appeals Judge Jessica Lorello, and Supreme Court Justice Richard Bevan.

I know you will greet them with all the warmth and congeniality of comrades in arms.

We also are blessed to have back among us Director Gavin Gee, who survived a terrible accident last winter and a difficult recovery to resume his responsibilities at the Department of Finance. Thanks for joining us today Gavin; keep fighting the good fight.

Now, despite the talent and experience contained in this august body, I'm sure many of you share my feelings about starting a legislative session without the able assistance of former Senate Majority Leader Bart Davis. Our new U.S. Attorney for the District of Idaho served here for 19 years, embodying great legal scholarship, incredible legislative talent and unfailing statesmanship. Bart's absence from these proceedings will be apparent, and we can all be grateful for his long service and consistent civic virtue.

Some of you joined me and thousands of Idahoans this past August in saying farewell to the late Governor Cecil Andrus, who gave even more State of the State speeches than me! The outpouring of fond remembrance and well-earned respect for Cece was a welcome throwback to another political time. In fact, one of the qualities I admired most about Governor Andrus was a lesson I internalized during my years in Congress: Simply saying "no" is not enough. When the people of Idaho give us authority to act on their behalf, we must govern. Republican and Democrat. Majority and minority. Executive and Legislature. Together. To do less or to dither rather than decide is to shirk our duty and betray the public's trust.

With the aging of our population, healthcare has led Idaho's employment growth since I took office in 2007. It's added more than 26,300 jobs, accounting for 46 percent of our overall job growth and 13 percent of total employment in Idaho. That illustrates two important questions that will be at the forefront of public policy debates for the next few decades: How do we make healthcare more accessible and affordable, and how do we ensure employers have enough educated, trained and skilled workers to meet the needs of Idaho's growing economy, especially in healthcare and other STEM fields? Let's start with education.

Most Idaho children who were in the first grade when I became Governor are now starting their last semester of high school. Every program, initiative and investment I mention here today is focused on providing those young men and women with a leg up on postsecondary education and career opportunities.

To ensure we have effective teachers leading that effort in every Idaho classroom, my Executive Budget calls for providing nearly \$42 million in fiscal 2019 for the fourth year of implementing our career-ladder system for educators. Shifting how we fund teacher salaries from years of service and education credits to student outcomes represents a significant ongoing investment in human capital – supporting teachers' professional development while establishing a long-term blueprint for teacher recruitment and retention.

For all of us, literacy is essential to developing the other skills needed to advance successfully through life. Thousands of Idaho children start their educational journey already reading below grade level. That leaves many of them struggling throughout their school years and beyond while requiring educators to employ more costly remedial reading programs.

With your help we implemented an early intervention program two years ago for kindergarten through third-grade students who face severe reading challenges. But that program addressed only those at the very lowest level of reading skill. There are thousands more who are not yet proficient. So I'm asking today for \$6.5 million in fiscal 2019 to expand our literacy intervention efforts. We must provide a timely boost for these children before the focus of their education moves from the fundamental skill of reading to the applied skill of reading to learn.

I also am seeking an additional \$5 million a year for college and career advising. That money is intended to ensure that all districts can implement effective programs for helping students plan for life after high school. Whether for college or technical training, improving student and parent access to information about careers and postsecondary opportunities is an essential step in providing for Idaho's future workforce needs.

So is responsibly putting modern learning tools in every Idaho classroom. My budget recommendation calls for investing an additional \$10 million in school technology starting next year, bringing our total annual investment in technology for students and teachers to \$36 million. That will also require that districts and charter schools have well-developed plans for sustainably integrating technology into their curricula.

An even more fundamental change in our classrooms is Idaho's ongoing shift to mastery-based education. The effort benefitted from an initial investment in 19 incubator schools. Those schools have worked during the past two years to establish a network of support and best practices, and to identify barriers to implementation. By investing another \$1.4 million per year, we can continue developing and implementing our statewide plan by expanding the number of schools participating in the Mastery Education Network.

Ladies and gentlemen, our five-year plan for improving public schools is a watershed achievement for Idaho. With strong and diverse stakeholder involvement, with buy-in from educators, patrons and policy makers – and with your continuing leadership and support – Idaho will keep building a world-class education system.

That includes such local efforts as Bonneville County voters turning Eastern Idaho Technical College into the College of Eastern Idaho, with the help of \$5 million in start-up money from the State. Congratulations to the people of eastern Idaho for creating this great new opportunity for more of our citizens to affordably take their education beyond high school close to home.

As you know, there was a robust debate in Bonneville County and beyond about the costs and benefits associated with creating the College of Eastern Idaho. And that's a good thing. An open process and meaningful public engagement are necessary to crafting sound public policy. That's especially true on issues as complex and controversial as allocating limited resources to our education priorities. The success of our K-12 Task Force for Improving Education bears that out.

So I'd like to thank the 36 members of my Higher Education Task Force who worked during the past year to assess how we can achieve the moonshot goal of ensuring that 60 percent of our young adults have a postsecondary academic degree or professional-technical credential. Their assessment is sobering and their solution is bold. But I believe implementing it is necessary, not only for our students but for Idaho's economy.

The Task Force concluded that we will never achieve the 60-percent goal the way higher education in Idaho is structured today. So its 12 recommendations focus on dramatically changing the way our system works to make it more integrated, consolidated and student-centric.

Therefore, my budget request includes funding for the State Board of Education to hire an Executive Officer to coordinate the work of all our higher education institutions. The Executive Officer also will manage a system-wide consolidation of higher education support operations and the Board's continuing policy functions.

There's no doubt these changes will upend the status quo. They will mean less working from isolated silos and more rowing in the same direction. And they will result in tens of millions of dollars in efficiencies – savings that can be used for scholarships and new initiatives. That includes creating a statewide digital campus to better keep pace with continuing change in what we need our higher education system to deliver.

I want to emphasize that what we're talking about here is not a chancellor system with schools becoming campuses of a single university. I agree with the Task Force finding that such a change would be overly disruptive. But there is no doubt about the advantages and the necessity of adopting an Executive Officer model if we are serious about making and keeping Idaho economically competitive.

Here's a staggering metric: The Task Force found that State income tax collections in Idaho will increase by \$500 million a year – with no change in population – when the state reaches our 60-percent achievement goal, compared with today's 42 percent.

This is not a reflection on our State Board of Education members or the leadership of our institutions. The system itself is slow to adapt and too good at perpetuating the status quo. It simply is not equipped or empowered to make the big management changes needed to achieve our 60-percent goal. Without these changes, we very likely will make no more progress toward that goal in the next ten years than we have in the past seven.

We still must better define the scope of work required to achieve the consolidation we need. As a first step, I'm seeking your support for the Task Force recommendation that we implement a statewide degree audit and data analytics system. That will enable all our postsecondary institutions to identify students early on who need additional support or guidance, and then track their progress toward degree completion anywhere in our system.

To address access and affordability, the Task Force recommended and I am requesting an additional \$5 million for the Opportunity Scholarship program, which is helping students like Boise's Holland Godby. It's enabled her to go to college full-time and work part-time without going deep into student loan debt. Holland, thanks for being with us today.

Holland is using her scholarship to attend Boise State University in hopes of entering the high-demand field of physical therapy. She was one of more than 1,500 Idaho students who received an Opportunity Scholarship for their first year of college. But that was less than half of the more than 3,300 Idaho students who applied and were eligible but got no assistance. We can and should do more.

My Executive Budget also calls for dedicating a portion of that \$5 million to providing Adult Completion Scholarships. That's not a program for subsidizing dropouts. It's about creating the workforce that Idaho employers need. It's about closing our skills gap by bringing students with some college credits back to one of our certificate, associate's or bachelor's degree programs to finish what they started. And it's about preserving the value of investments already made in partially completed studies.

Folks, the Adult Completion Scholarship program is like finding money! So let's get it done.

Creating a homegrown pipeline of educated, trained workers also was the mission of my industry-driven Workforce Development Task Force. My budget reflects the Task Force recommendations that we invest in expanding capacity at our postsecondary technical schools, in providing additional incentive funding for high school career-technical programs, and in expanding CTE offerings to the seventh and eighth grades. I'm also calling for development of more online CTE classes, and increased support for our six regional Workforce Training Centers.

In the meantime, I have implemented Task Force recommendations aimed at ensuring employers have a more meaningful role in making our statewide workforce training efforts more responsive and adaptive to industry's increasingly technical needs. I will introduce legislation this session codifying changes to the structure and authority of the Workforce Development Council and how it invests in one of the most crucial elements of Idaho's continuing economic growth. I appreciate the enhanced level of public-private partnership that this process has brought about, and I look forward to that collaboration paying dividends for years to come.

In the same vein, we have a responsibility to act quickly during this legislative session to ensure that Idaho employers don't pay for last year's failure to enact unemployment tax relief. I once again am proposing a bill to roll back a rate increase that took effect on January 1 as a result of inaction in 2017. It will cost the Department of Labor roughly \$75,000 to process the legally required tax notices once the change is made. However, that's a relatively small price compared with the \$115 million in higher-than-necessary taxes that Idaho businesses will pay over the next three years if we don't make the simple but necessary change.

As I said at the end of the 2017 legislative session, unemployment tax relief is job one for 2018.

A 2017 tax debate also led to the Idaho Supreme Court ruling last summer that we must change the way we do the people's business to ensure public transparency and protect the integrity of our political process. So contrary to traditional practices, all legislation now must be presented to the governor before the Legislature adjourns sine die. I welcome the new requirement and look forward to working even more productively with you on our shared priorities.

Those priorities include adding to the more than \$1.2 billion in tax relief we have provided Idaho citizens over the past decade. But that must be accomplished while meeting our constitutional and statutory obligations, sustainably advancing our education and other policy priorities, and ensuring that our State tax laws remain fair, stable and competitive.

It's true that our tax burden in Idaho is relatively light compared with other states. But our income levels also remain comparatively low, and beneath our own expectations.

Yet in terms of growth, it's important to note that personal income in Idaho is up about 40 percent since 2008 while General Fund revenue has increased less than 25 percent. So despite some selective arguments to the contrary, our economy clearly is growing faster than our State government.

However, we must never forget that it's the people's money. So I will gladly join you in reducing individual and corporate income tax rates with an eye toward stimulating more economic growth. But that must be accomplished while keeping our fiscal house in order and our investments for the future on track. To make that possible, I will be proposing a plan to enable Idaho's substantial conformance with the new federal tax code without putting our State revenues or Idaho taxpayers at risk.

Of course, it's well known that predictability is an important part of sound tax policy. But when it comes to healthcare, the federal government seems to be going the extra mile to ensure that Idaho and other states have no certainty at all about what the future holds. At the same time, I have come to you repeatedly with proposals for making healthcare in Idaho more accessible and coverage more affordable with or without having a federal plan in place.

So in my last legislative session as your Governor, I am making one final attempt. No longer should this body use my agreement not to act alone on Obamacare issues as a way to stop progress that will benefit Idaho citizens. We can no longer wait for Congress. This issue is too pressing, and it's in our hands.

This session I will be advancing for your consideration the Idaho Health Care Plan – a proposal about which many of you have been hearing for months now. Simply put, it would stabilize Idaho's healthcare insurance market and give more working Idaho families the ability to purchase affordable coverage.

The Idaho Health Care Plan gives us the opportunity to be both conservative and compassionate. It will enable those with the most costly, medically complex conditions to move their coverage to Medicaid during the course of their illness. That in turn will enable insurance companies to reduce their premium rates for the majority of people who remain in the individual marketplace.

This is not expanding Medicaid. This is providing Idaho's working families who have modest incomes a more affordable way to get the coverage they need. And it's a matter of fairness for Idaho citizens who actually get less help with coverage under the so-called Affordable Care Act than non-citizens legally residing here.

The Idaho plan will require \$17.4 million from the General Fund and another \$11.4 million from the Millennium Fund. But the result will be lower rates for many more working Idahoans, leaving them better able to pay for life's other essential needs.

As I said before, healthcare affordability and accessibility are among the central public policy challenges of our time. In Idaho, those challenges involve a chronic shortage of physicians and other healthcare professionals, particularly in the more rural parts of our state. That's why I'm so excited about this year's opening of the Idaho College of Osteopathic Medicine – Idaho's first medical school. Classes begin in August on the Meridian campus of ICOM, which is working with Idaho State University and other stakeholders to address our last-in-the-nation ranking for the number of primary care physicians per capita.

ICOM also is committed to helping bring more residency opportunities to Idaho for physicians in training. In addition, my budget recommends funding for 11 new residencies at Eastern Idaho Regional Medical Center in Idaho Falls and Bingham Memorial Hospital in Blackfoot. That will complement our own efforts since 2013 to fund more medical school seats for Idaho students. We now have 40 seats dedicated to Idaho medical students through the regional WWAMI consortium – twice as many as when I assumed this office.

Having healthcare professionals nearby is one of the factors that can determine a community's success in developing its local economy by attracting and growing businesses that provide good-paying jobs. The services that our communities need increasingly include cost-effective ways of coping with acute substance abuse and mental health issues.

Thank you for supporting creation of behavioral health crisis centers through community partnerships in Coeur d'Alene, Idaho Falls, Twin Falls and most recently Boise. My Executive Budget request calls for continuing to build on the successful effort to cut back on the more costly use of emergency rooms and jail cells when our people face those life-shattering challenges. I'm asking for \$2.6 million in fiscal 2019 to stand up three more crisis centers in the Lewiston, Nampa-Caldwell and Pocatello areas.

This initiative is an example of Idahoans taking care of our own; not waiting for Washington, D.C. to prescribe or mandate a solution to our challenges. That's a strategy borne of necessity and hard experience. But in 2017 we saw a renaissance of responsiveness and regulatory relief from our national government. It has been especially refreshing to see the Trump administration's willingness to seek our input – to really listen and embrace the value of state perspectives on issues that affect us most directly.

As we all know, the whole concept of federalism spent years on the shelf. But now, what we here in Idaho say and how we collaborate and develop our own solutions matters again, maybe more than ever. It's a new day on issues from protecting sage-grouse to siting major electrical transmission lines and enjoying traditional uses of our public lands.

Of course there are still challenges. Obstructionists in Congress and the undue influence of a carryover proscribe-and-punish mentality in some federal agencies are still slowing progress. But we're having fewer "Mother may I" moments with our federal partners, and one of the results is better, more active management of our resources, and communities that are becoming better protected from catastrophic wildfires.

Two programs in particular stand out. First, let me update you on our rangeland fire protection associations. Over the past few years, the Bureau of Land Management and U.S. Fish and Wildlife Service have worked with our State Department of Lands to train and equip 330 southern Idaho farmers, ranchers and their employees as members of nine RFPAs. They now are providing initial attack capability and expert local protection on more than 9 million acres of Idaho rangeland – protection from wildfires that threaten sage-grouse habitat and the forage that our ranching and farming families need to stay in business.

Another example of our improving relationship with the feds is the degree to which federal Good Neighbor Authority has taken root in our timber communities. It's an innovative way to more quickly implement on-the-ground land and watershed improvements on Forest Service acreage.

Investments from the forest industry, the State and the feds so far have resulted in ten Good Neighbor Authority projects in Idaho. In the next few years, about 10,000 acres will be treated to improve forest health by carefully harvesting 65 million board feet of timber, providing \$13 million in program income.

The Department of Lands has sold and overseen the harvest of 6 million board feet of timber from fire salvage and forest thinning projects in the past year alone – generating more than \$1.8 million in revenue. The efficiency and effectiveness of this work is so apparent that federal agencies are eager to line up more Good Neighbor Authority projects with help from the State. That's why I'm asking for spending authority for eight new positions at the Department of Lands as we expand this program that's working for Idaho.

Perhaps the most memorable part of last year was one that most of us would just as soon forget. You can call it "snowpocalypse" or just a great water year. Either way, the winter of 2017 was one for the record books. It disrupted lives, endangered travelers and did many millions of dollars in damage to property and infrastructure throughout Idaho.

Thank you for providing \$52 million in emergency assistance to help our communities address the most serious and immediate problems. We had some snags with disaster assessment teams being called away for one of the worst hurricane seasons on record. But we are getting relief out as quickly as possible, and we're working with cities, counties and highway districts to minimize the impact of delays in federal disaster funding.

As I said, it was a big year for water, whether it was falling from the sky or being recharged into Idaho's largest underground reservoir. Runoff from last year's snowpack on top of saturated soils required careful, coordinated management of dams and reservoirs. The effort successfully reduced flooding and ensured that dam structures were secure. Meanwhile it provided a full allocation of water in the Boise River and Snake River reservoirs and plenty of carryover for use in 2018.

Just as importantly, for the first time since the 1950s we put more water back into the Eastern Snake Plain Aquifer than we pumped out in 2017. Water levels in the Lake Erie-sized aquifer had been dropping at an average rate of 215,000 acre-feet per year for 60 years.

But last year the Idaho Water Resource Board worked with private canal companies to recharge 317,000 acre-feet of water. A landmark settlement agreement between surface water users and ground water users resulted in a net gain of another 200,000 acre-feet. Along with the wet weather, the result was a 660,000-acre-foot increase in water storage in the aquifer.

Without our work together on these issues it would have been impossible to realize these historic advances in managing and protecting our most precious and fragile natural resource.

About the only things we value more than water in Idaho are our families and our privacy.

Everything we're doing in education, workforce training, health and public safety is about strengthening and protecting Idaho's children and families. Now let's talk for a moment about securing our personal data.

From a technology standpoint, the world has been remade several times over since I became Governor. We have learned through hard experience that information is a vulnerable asset. And we are far better prepared now to ensure the responsible management, control and protection of private information.

Former Air Force cybersecurity expert Jeff Weak is now on board as Idaho's first director of Information Security. Under his leadership, State agencies have adopted rigorous national cybersecurity standards. Critical internet security controls have been put in place, and a comprehensive cybersecurity training program now is mandatory for every State employee. In short, we're doing all we can within our existing management structure to defend our State resources, and more importantly to keep our citizens' personal information safe from hackers, criminals or worse.

The next step is improving the structure of that oversight. I am recommending a thorough assessment and centralization of scattered and disjointed information resources in the coming months. The goal is standardizing and optimizing cyber capabilities throughout State government. The proposed changes are aimed at making Idaho a model for hardening our defenses while enhancing our ability connect with citizens through social media and other online tools.

Idaho is well situated to be a global leader in this field. Just consider our investment and partnership in the Idaho National Laboratory's Cybercore Integration Center. Or the INL's cybersecurity training outreach to Idaho businesses. Consider the thriving cybersecurity degree programs at our universities and the Idaho National Guard's cyber operations squadron. So we are reaching a critical mass of infrastructure. All that's needed is our continuing commitment for Idaho to remain on the vanguard of this evolving discipline.

On a related note, no report on our progress over the past decade would be complete without highlighting the growing partnership between the State of Idaho and the Idaho National Lab. We are light years beyond the kind of legal and political disputes that dogged our relationship for many years. Today the INL is much more than a remote nuclear engineering outpost on the eastern Idaho desert. Our connections now include my Leadership in Nuclear Energy or LINE Commission, our Strategic Energy Alliance, and the Center for Advanced Energy Studies with its cutting-edge Smart Grid research. And let's not forget the INL's growing collaboration with our universities, as well as the Department of Energy's STEM education efforts at Idaho schools.

And there are more great things to come from the INL and the Battelle Energy Alliance, which just won a new five-year management contract that will ensure welcome stability in lab operations. Coming soon is the next stage in developing small modular reactor technology that could be the future of nuclear energy.

Now, from thinking globally to acting locally, allow me to update you on the success of a program with the goal of helping Idaho's at-risk youth develop such skills as critical thinking, teamwork and accountability.

The Idaho Youth ChalleNGe Academy so far has provided structure and a second chance for 648 graduates from 41 counties. Many of those cadets were struggling in school before they got to Pierce. A number were having trouble at home, or with the law. Well, through last year those citizens in training had earned over 9,000 high school credits, and more than 130 of them had earned their GED or high school diploma.

What's more, Youth ChalleNGe cadets have contributed more than 34,000 community service hours. They have improved forest trails, visited seniors at the local assisted living center, and volunteered at the State veterans home in Lewiston. I can tell you, the feeling of energy, renewed hope and endless possibilities that you get just being around the cadets is refreshing, invigorating, and contagious.

This program isn't the biggest around. It doesn't have all the bells and whistles. It's purposely located away from many of the distractions of modern life. But let me give you two quick examples of the results that the Youth ChalleNGe Academy is producing.

Dylan Hoopes of Lewiston was in trouble in school and at home. He'd even had some brushes with the law. As his mother Angela put it, he had "a 1.6 GPA and a chip on his shoulder."

All that changed at the Academy. Dylan embraced the training, buckled down, adopted a goal-oriented attitude, pursued leadership opportunities and earned his high school diploma with a 3.7 GPA.

His mom summed it up this way: “I am confident that because of his experience at the IDYCA he has found the confidence he needed to overcome life’s obstacles and obtain the blessings that good citizenship has to offer him.” Now Dylan is 20 and a full-time student at Lewis-Clark State College. He’s working part-time and will receive his associate’s degree in automotive mechanics this spring.

Dylan, congratulations, and thanks for being here today.

Daniel Smith of Nampa summed up his situation before entering the program this way: “I was overweight, under-confident and wasn’t doing too well in school.” The good news was that he recognized the need to start making better life choices, and the Idaho Youth ChalleNge Academy was there to help. Friends who had been through the Academy told Daniel about the positive changes it had brought to their lives – changes emphasizing respect, excellence, persistence, integrity and leadership.

Now Daniel joins them in considering it one of the best decisions he’s ever made. He got his high school diploma, joined the military and was selected for the elite United States Air Force Honor Guard. Daniel was part of the inauguration ceremony for President Trump and most recently was in the Macy’s Thanksgiving Day Parade in New York City. He credits the Youth ChalleNge program and the mentorship it provided for helping him get where he is today – which I’m pleased to say is here with us!

Airman First Class Smith, welcome to Idaho’s Capitol and thank you for your service.

Dylan and Daniel are just two examples of how the Youth ChalleNge Academy is improving lives, restoring families and creating the chance for real progress for the next generation of productive, contributing citizens. Some of you have visited Pierce to see the program for yourselves. I encourage anyone who questions its value to spend some time with these young people. I’m confident you will be as impressed as I was.

My friends, I say again: Idaho is stronger and more economically diverse than ever. Our unemployment rate is near a record low. Wages are on the rise. Whole industry sectors are emerging and growing, stretching our taxpayer resources to keep up with workforce demands. But we are sustainably and responsibly investing in K-through-Career education and training without raising taxes.

We will never mortgage our future by throwing money at business attraction like some other states. But with your support, we now have targeted, performance-based incentives that work. They add to an economic development portfolio that includes inexpensive renewable power, a great work ethic and among the most stable, business-friendly tax and regulatory climates in the country.

I call that real progress, and may it long endure. *Esto perpetua*.

You know, it’s really too bad that the word “progress” has been so thoroughly high-jacked in today’s political lexicon. The Republican-led Progressive movement of the early 20<sup>th</sup> century called for a more populist but still limited relationship between government and business. But since the Great Depression “progress” has become synonymous with bigger and more intrusive government – the “nanny state.”

It’s true that despite our best efforts and firmest resolve, government gets bigger. That’s a function of a growing population, rising public expectations, more complex social realities, and a changing dynamic between our public and private sectors. But we all know that making government bigger often makes fulfilling its most necessary and proper functions less focused and less effective. More importantly, making government bigger without also making it better can be a barrier to real progress for our citizens – for individual Idahoans.

Now we all know that progress isn’t linear. It doesn’t go from point A to point B uninterrupted. It zigzags and swerves and dips. At times in human history it’s trailed off altogether. But progress always comes back. It shakes off ignorance and political extremes. It overcomes natural calamities and human failings to return, time and again throughout the ages.

Progress makes a comeback when people start believing again – believing in their own abilities; believing that they can make a difference; and believing that government alone is not, never has been and never will be the answer. Progress makes a comeback when people start taking personal responsibility for moving it forward as best they can.



That's where we are in Idaho: Preparing our State government – and everyone and everything it touches – for the future. Once again during this legislative session, we will make choices that will echo down through the generations and play a role in shaping the destinies of our families and our descendants.

Because of the work we have done over more than a decade, we have never been readier for the challenges and opportunities ahead. The commonsense conservative policies advanced by this body – and by us together – have been essential to Idaho's progress toward better enabling our citizens to become the architects of their own destiny rather than surrendering to the siren song of entitlement.

Yet just as progress isn't linear, it also isn't singular. Eventually there will be another Great Recession, or worse. Disasters will beset us. At some point we may once again struggle to keep our heads above water.

That's why, to be truly meaningful and impactful, progress can't be a one-time thing. It must overcome setbacks and resistance. It must be more than good intentions and a high-profile start followed by inattention and eventually abandonment. There has to be a baton to pass. There must be a fire to stoke.

There has to be a clear understanding that what we do today will help our children and their children keep advancing the frontiers of freedom ... slowly but surely ... Because that enlightened freedom is where progress will be found for the people who rely on us to act in their best interest without upending their lives.

Ladies and gentlemen, progress takes commitment. It takes political and sometimes personal courage. It requires us to see the big picture and take the long view in crafting public policy. And we have only ourselves to blame when we reap the whirlwind of apathy or inattention. Responsible citizenship – let alone leadership – requires us to regularly refresh the tree of liberty with the values of vigilance, prudence and common sense.

You see, well-informed and conscientious reluctance to change is not the truest enemy of progress. The truest enemy of progress is misguided, reflexive opposition to change.

Our Founders knew that more than 200 years ago. In 1816, Thomas Jefferson was 40 years beyond his days as a young revolutionary writing the Declaration of Independence. With his years as president behind him, Jefferson was asked how best to adapt our fledgling national government to rapid social and economic changes.

He wrote: "I am certainly not an advocate for frequent and untried changes in laws and constitutions. But I know also that laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths disclosed, and manners and opinions change with the change of circumstances, institutions must advance also, and keep pace with the times."

That is not to dismiss or defame the timeless virtues that should populate our character or the undying truths that must light our path forward. Rather it is to remind us that our responsibility is not only to those who voted for us or only to our constituents, but also to "keep pace with the times" and the path of human progress.

We have constitutional, legal and social responsibilities to the people of Idaho. Those include preparing them for productive citizenship with accessible educational opportunities, safe communities and equal protection of the law. I believe the plan of action recommended in my Executive Budget and in the policies that will be presented to you this session move us closer to truly fulfilling that responsibility.

We must not waste the opportunity that relative prosperity now affords us to invest in the future. We must strive to be the kind of leaders who go beyond rhetoric, because sustaining what we have set in motion will require more than lip service.

As Teddy Roosevelt said in urging action over ideology in public life, "Our words must be judged by our deeds; and in striving for a lofty ideal we must use practical methods; and if we cannot attain all at one leap, we must advance towards it step by step, reasonably content so long as we do actually make some progress in the right direction."

My friends, we have made progress in the right direction over the past 11 years. Whether we continue on that course depends on our commitment to investing in an even better future for the people we serve. It depends on the value we place on joining with individuals, communities and our corporate citizens in overcoming hidebound opposition to a legitimate role for State government in pursuing our common interests.

I've come a long way from the brash young revolutionary who served in this chamber and ran for governor with big ideas but precious little perspective.

With the benefit of experience earned through the patience and confidence of Idaho voters, today I have a more nuanced view of the proper role of government. I have always understood its limitations and its flaws. But now I also know its possibilities, when responsibly led, for helping individual citizens realize their full potential. None of us can afford to dismiss the latter because we are hamstrung by the former.

Most of you know that Thomas Jefferson and Ronald Reagan are my political models. They were not roped and tied by ideology when pragmatism was the best path to progress. They led. We must do the same.

In conclusion, let me just say that the years I have had the opportunity to be your Governor have provided among the most precious and rewarding experiences of my life. Working with and for each of you – my fellow citizens – has been the honor of my lifetime, and the best job I ever had.

I appreciate more than I can express the chance to share this arena with you, and to join you in making significant and lasting progress for every member of the Idaho Family.

Thank you. God bless your work here, and may God continue to bless the State of Idaho and the United States of America.