

STATE OF THE STATE ADDRESS  
GOV. MITCHELL E. DANIELS, JR.  
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Ladies and gentlemen of the General Assembly, I thank you as always for the privilege of this podium. I recognize how unique the opportunity is, and I will try never to misuse your hospitality.

This is my third trip to this very special place and, while the awe of it will never diminish, the setting has become somewhat familiar. I say "somewhat", because somehow, something is different. Something....something....oh, Representative Bauer, you've changed seats! You look good up there. Thank you for watching my back.

Fun aside, there is something different about this chamber in 2007, and the way we all approach that difference will matter to every citizen of our state. For the last two years, there were two ways to get things done for Indiana. Now, there is only one way, the way of bipartisan cooperation, to make progress. I'm ready if you all are.

The speech you summon me to deliver is named the "State of the State." It is supposed to be a report on the year past and our condition as a new year begins. Although there is much to relate, I'll be brief about what is past, because Indiana in our day must be all about our future, and the changes necessary to ensure it will be a great one.

By any conceivable yardstick, 2006 was a strong year for Indiana. To mention only the brightest of highlights:

State government's 600 million dollar structural deficit is a thing of the past. We achieved a balanced budget not in several years, as many said would be needed, not in two years, as the budget you passed projected, but in one short year. The leanest budget in 55 years, plus businesslike management of every single department, produced this result. We did it the old-fashioned way, by holding spending below our income, without a cent of new taxation. This ahead-of-schedule success enabled us to repay the public school systems of this state the money withheld from them for years by a state government short on cash.

Much is written these days about an America divided between "blue" states and "red" states. The close division of this chamber tonight exposes that concept as simplistic. As a believer that competition is healthy, that is fine with me. But as we compete about whether Indiana will be a blue state or a red state, let's agree together that Indiana will not be a red ink state, not in 2007 or ever again.

A year ago, Indiana actually had not one deficit but two. Our operating deficit was small compared to a multi-billion dollar shortfall in transportation funding, the gap between the roads we agreed we needed and the dollars coming in from gasoline taxes. That deficit is also a thing of the past, without a penny of gas tax increase or a penny of new borrowing costs left to our children. The money to build a more prosperous future is now in trust, earning interest of a half million dollars a day. 2006 launched an historic era of road building. We will add hundreds of miles of roads, assets we would never have had

otherwise, to our public works inventory. A new construction record will be set every year for the next decade, with thousands of new jobs attached to each year's record.

We needn't argue further about the actions that produced this result. Our common opportunity now is to reinvest our bonanza wisely, quickly but efficiently, in new, permanent public assets that will bring the most jobs and hope to our tomorrows. I welcome the Assembly's help and oversight.

As a competitor in the wide-open tournament of today's world economy, our state had a 2006 that will be nearly impossible to match. All records for new investment were shattered. Hiring begins this year at Honda, at Toyota, at American General and more than a hundred other places where companies with a world of options chose Indiana to invest their money and create new jobs. Only a few other states welcomed even a single major automotive plant last year. We shook hands on three.

With our new tax credit program plus a lot of hustle, we have gone from nowhere to national leadership in the promising sector of renewable fuels. In just 18 months, we have grown from one ethanol plant producing 100 million gallons per year to 21 biofuels plants soon to generate 1.7 billion gallons annually. Best of all, like the two major clean coal projects that chose Indiana this year, these new businesses are all located in the smaller towns, places like Clymers, and Claypool, and Cloverdale, to which we are so determined to bring new hope and economic life.

The nationally-recognized telecommunications bill you passed is having exactly the predicted effect. Dozens of our smallest towns, places like Dana and Dugger, Tennyson and Lagro now have high-speed, broadband connection to the Internet and to the paying customers of the world.

I cite these successes not in celebration but as proof that we can do great things in this state when we aim high and have the courage to make change and tackle our problems head-on. 2007 must be another year of change, and forward progress.

As I said, we previously had two alternative means for action. One was the path of cooperation, the other the path of party unity. They are not equal; cooperation is always the best way. It honors the contributions of all, and fosters enduring support for the policies it produces.

Now we have only one path upward. The cooperation that has eluded us on most occasions is now the only alternative to stalemate and paralysis. If I too often did not find the words to bring it about, I will have to do better, and find them now. Let me then submit an agenda for greatness, built on items that might unite those who have recently found too little common ground.

The better education of our children is a shared goal and a top priority of every Hoosier I know. The best efforts of today's committed educators have not sufficed to produce the results today's world demands. When one in four Hoosier kids drops out, when one in three fails even that very basic measure we call ISTEP, when 30 percent of those who complete high school go no further, when our state has the 6<sup>th</sup> lowest percentage of college graduates in America, we are not getting the job done.

The main reason I pressed for an immediate return to balanced budgets was so that we could again have the funds to strengthen public education. I hope this Assembly will provide at least a quarter billion dollars in new funding for the system as it stands today.

But the time has come to augment that system, to make certain that every Indiana child arrives at first grade ready for the tasks ahead. After years of study, debate, and failed attempts, let's make an irrevocable commitment to full-day kindergarten for every family that wants it, starting with our lowest-income children, starting when school opens this fall.

Cooperation requires giving credit where it is due. This proposal came first from members of the Democratic party. It was your governors, and many of your legislators still serving, who first advanced and attempted this step. You were right.

After listening for months to educators, parents, and all the experts I could find, I have laid out one possible approach that tries to blend the many disparate views on this topic. To both sides of this chamber, I say, modify that proposal, refine and improve it as I know you can, but let's act now, together, to make full day kindergarten real in 2007.

Formal education begins in kindergarten, but for successful lives today and tomorrow, it never ends. Family-supporting jobs from now on will almost always require not merely a quality high school learning experience but continuing education beyond. Bolstering higher education in Indiana is another area on which we can join hands and cooperate.

How sadly ironic to be a state with so few college graduates, when we are blessed with such a vibrant network of colleges and universities, public and private. From our three research universities at one end, to a fast-improving community college system at the other, we have the infrastructure, the potential, to stand out from the pack. The states that achieve economic leadership in this century will be those that are home to centers of true excellence in higher education.

By converting the Indiana Lottery from a state bureaucracy to a franchised, regulated utility, treating it exactly as we already treat casino gaming and horserace gaming, we can keep all the revenue it brings in today and still assemble a billion dollars or more for a major leap forward in higher education.

Actually, for two leaps. First, let's create Hoosier Hope Scholarships, dollars that throw open the doors of higher education to more of our most talented young people, while ensuring that they stay here in Indiana and help us build a stronger tomorrow. Let's make the dreary term "brain drain", a forgotten phrase.

And let's invest the rest in bringing new world-class researchers and teachers to any public institution that can recruit them. Let's vault over other states, until the world looks at the universities of Indiana with admiration and envy. Until our schools routinely spin off the new discoveries, new inventions, and diverse, high-quality jobs that Hoosier Hope winners will demand.

On one of the first nights of my almost four years of constant travel through our state, I sat with a proud grandmother in the far southwest county of Posey. When I asked what a new

governor should spend his energy on, she pulled out a photo of her infant grandson, and told me "Bring children like this home." In a story I have since heard over and over, the lady related how her daughter and son-in-law had each graduated from Indiana colleges, but then taken their talents elsewhere in pursuit of better job opportunities. Let's join together in actions that will, over time, keep more of our children and grandchildren here with us.

Another issue that knows no party lines is health care. No one can fail to care about those whose lives are blighted or even shortened by avoidable illness. No one can fail to care about those who will go to bed tonight without the peace of mind of knowing that they are protected against financial ruin from a misfortune related to their family's health.

I say "no one" because this is truly every Hoosier's problem. Those blessed with good health themselves pay the bill for others who fall prey to avoidable illness. The costs imposed by America's second-highest rate of smoking amount to more than a billion dollars a year, all by themselves. Those who have health insurance pay excessive premiums to cover the shifted costs of those without.

We have it in our power to make a huge difference. We know how to reduce smoking, and in particular to dissuade young people from starting to smoke. It starts with a higher price for the product. It is no coincidence that Hoosiers pay less for cigarettes than the vast majority of Americans and smoke at the highest rates around.

But we can and must do more. Back when state government was struggling with deficits, our tobacco reduction programs were cut by two-thirds. They should be restored, to levels where they can be fully effective.

The expensive consequences of smoking are self-inflicted and take years to develop, but preventable illness comes to the young and innocent also. Did you know that almost one fourth of Hoosier children, most of them low-income and minority, do not receive their immunizations before arriving at grade school? I confess I didn't, and I hope you find this fact as unacceptable as I do.

What's good for kids is good for taxpayers and premium payers, too. Every dollar spent to immunize a child saves seventeen dollars later when they don't get measles, or whooping cough, or hepatitis and spread it to other children. What better goal to come together on than a very direct, very affordable program to protect the wellbeing of our little ones?

Lastly, we can use the revenue from higher-cost tobacco products to bring peace of mind to thousands of Hoosier families. The health insurance plan I have proposed would provide full protection against financial hardship, the power to make personal health care choices, and free preventive care to promote wellness and lower future health costs. It is constructed to be as large as this Assembly chooses: the more you raise the cost of cigarettes, the more Hoosiers can be provided coverage. I hope you think big.

As with full day kindergarten, let's give credit where it is due. While members of both parties have lifted up the cause of the uninsured, those calls came earlier and more often from those in the loyal opposition. Armed with your passion, and our practical plan, the goal is in reach and the time is at hand. Let's join hands to get the job done.

Indiana is a state of patriots. One sees it not just on Independence Day, Memorial Day, or Veterans Day but every day. When you hold my job, you see it most unforgettably at the funerals of the fallen.

But our treatment of those who serve in uniform does not fully reflect the love and gratitude we feel for them. It does not match that of other states. Patriotism knows no party label; please join me in upgrading the way we support our soldiers, veterans, and the families who have sacrificed with them to protect the freedoms we all enjoy.

And let's not penalize veterans, or education, or other priorities by using even more state tax dollars to subsidize local government spending. Raising Hoosiers' state taxes just to recycle the money back to localities is a shell game with no winner, a treadmill we must step off. The right answer to excessive property taxes is more local freedom to shift from property taxation to other revenue sources. So for the third time I ask the Assembly to support the request of local leaders for more home rule and the accountability that goes with it.

One more subject about which the people in this room surely agree is the goal of more jobs, more income, and a higher living standard for Hoosiers today and tomorrow. The policies that helped us catch the pack in first-generation ethanol should now be modified so we can lead in the biomass ethanol that comes next. Please help us also by broadening our clean coal incentives to ensure that Indiana leads that energy revolution, too.

Nothing gives rise to great jobs more directly than great roads. Again and again, the new companies who make up our current hot streak have testified that our transportation network, present and soon to come, was a decisive factor in their pro-Indiana decision.

An Illiana Expressway, enabling through traffic to move around rather than through our Northwest corner, could alleviate the growing congestion that now discourages new business in that vital part of our state. In Central Indiana, a new Indiana Commerce Connector, linking four interstates at six job-magnetic hubs, could give a large swath of our state another big edge on the competition. Local leaders all around both these potential routes have reacted with enthusiasm to their potential to invigorate their economies.

If these roads can be built not by tax dollars but by private capital; if their upkeep can be paid for by tolls on mainly out-of-state vehicles; if they allow us to avoid enormous, constant expense repairing and expanding the clogged highways we have today; and if Indiana can collect a significant fee for the temporary franchise right to operate these roads, money we could use for investments elsewhere around the state, then this is an enormous opportunity, not to be missed.

I would be pleased to accept any reasonable terms this Assembly might prescribe for investigating this opportunity. Let us be partners in exploring two more bold steps toward a more prosperous future.

Better education, for our youngest children and for our brightest graduates. Protection, prevention, and peace of mind through dramatic improvements in Indiana health care. Fairer treatment of those in uniform today and those who preceded them in service to our nation. Bold moves for excellence in higher education, transportation, and the energy forms of the

future, to restore the economic leadership that a previous generation of Hoosiers once knew. Are these not goals we all share? Are these not actions on which we can come together?

They must be. Inaction is not an option. Doing nothing has huge costs. Today's world leaves in the dust those who stand still.

Indiana in 2007 is alive with promise. Honda sees it. Sysco sees it. Cummins, Jeffboat, and Toyota, Nestle's, Pfizer, and Fed Ex all see the promise of Indiana. So do all those new biofuels producers, and more than a hundred companies of all kinds we are talking to right now about bringing still more jobs for our people.

It is history's assignment to the few of us here to summon the imagination, the courage, and the bipartisanship to maximize that promise for the six million Hoosiers who hired us to do the public's business for them.

The poet wrote about the "ship of state", but our state tonight more closely resembles that traditional Indiana watercraft, the canoe, which makes progress only when both passengers pull together. Paddled on one side only, it just turns in circles. If either side chooses to dig in its paddle stubbornly enough, it can even tip the boat over. But with a common heading, and a shared effort, the canoe can be the fastest boat on the water.

My colleague from California was kind enough to send me his own message from last year. He spoke eloquently of the issues facing that largest and most complex of our forty-nine sisters, and I learned a lot from reading it. But at its end, Governor Schwarzenegger made one comment to which I must take gentle exception.

To his fellow Californians, the governor said "We must remember that this is the state that represents a dream.... (T)he California dream – that means something. If you talked about the Illinois dream or the Delaware dream or the Kentucky dream, no one would know what you meant." He didn't mention Indiana, but that was just by chance.

Tonight, we say to America, there is an Indiana dream. It imagines a state of high incomes and healthy families. A state open to the world, with the self-confidence that comes from regular victories in the global competition for dollars and jobs. A state known for excellence, where the world's brightest come to learn and invest, whose most talented young people stay and put down their roots.

Of course there is an Indiana dream.

I once worked for another Californian, who had a vision even larger than the state from which he came. He once said, "We have every right to dream great dreams. After all, we are Americans." Ronald Reagan knew, and we know tonight: Big dreams belong to Hoosiers, too.

God bless this Assembly and this great state.