

STATE OF THE STATE ADDRESS
GOV. MITCHELL E. DANIELS, JR.
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Mr. Speaker, Madam President, Members of the Assembly, fellow Hoosiers,

Four is a number of special affection for me. It's the number of daughters with whom Cheri and I were blessed. It's the number of my birth month. It was Duke Snider's uniform number. And it is now the number of times you have afforded me the privilege of this historic platform.

Four, of course, is also the number of years given to an Indiana governor and, because none of us can see the future, I would not want tonight to pass without using what could be my last such opportunity to say thanks, sincerely, to each of you, for your courtesies and kindnesses, but mainly for the work we have done together.

Because of things we have done together, Indiana is tonight a stronger state: economically, fiscally, in the effectiveness with which it acts on its citizens' compassion for those less fortunate. And we have it before us to make this fourth year one of special achievement, as we strengthen the security of families in their homes.

But first, a brief report. In all the ways that matter most, we enter 2008 with positive momentum. Unemployment among Hoosiers is the lowest it has been in six years, all the way back to the bubble economy of 2001. In 2007, for the third year in a row, all records were broken for new investment and new jobs coming to our state. From Amazon in Munster to IBM in Daleville to AT&T in Evansville to Really Cool Foods in Cambridge City, companies of all kinds chose Indiana and Indiana workers over a world of alternatives.

State government is leaner and cleaner, and more taxpayer-friendly. The size of state government has been reduced by more than 10 percent, over 4,000 employees. Even though we have raised worker pay more than in previous years, it costs taxpayers less to meet the payroll of state government today than it did in 2004.

And government's service to taxpayers is provably, measurably better. A new crew of people from outside government has been at work in departments large and small on a mission to make government work for people. Twenty thousand more single parents now receive the child support they're owed. Public retirees now receive their first pension check without delay. Taxpayers' refund checks come back in half the time. Two hundred seventy-five more state policemen are on the roads and fighting crime. There are hundreds of such examples. But let's examine just one that captures and typifies them all.

Last month, the average total visit time at an Indiana BMV license branch was – anyone care to guess? – eight minutes, 11 seconds. Statewide, the customer satisfaction rating was 96 percent. And that's among those who had to go to a branch at all.

You can now do almost all your business by mail, or Internet, and get a discount for doing so. You can register a new vehicle at the dealer, rather than making a second trip to a branch.

If you have to go in person, you can check online and see exactly how long the visit times are right now at every branch near you. Or, you can make an appointment, so when you get there, you don't wait at all.

These improvements did not come quickly, or easily. We made mistakes along the way; some experiments worked poorly, and were abandoned. Some changes, like most changes in life, aroused concern and discontent. But the results are real, and dramatic. I dwell on this one example because, as most Hoosiers readily understand, if our people can fix the BMV, they can fix anything.

Because of a stronger economy, and businesslike stewardship of government, our fiscal situation is also profoundly better. The bankruptcy of three years ago is far behind us. The state's debts are paid. We have a surplus once again, some of which we can now return to taxpayers in the form of property tax reduction. Searching for savings is still an all day, everyday assignment, but the public's finances are responsible once more.

No one is satisfied, nor will we ever be. There will always be more jobs to recruit, waste to root out, services to improve. But if you're not at least a little proud of Indiana tonight, you're not paying attention.

Take a quick look at neighboring states. Had you noticed that, for some time now, we have had the lowest unemployment in the Midwest? That while unemployment has been going down here, it has been going up in every other Midwest state?

Have you noticed the financial crises in Michigan, Ohio, Kentucky, and Illinois? The major tax increases enacted or pending in those places? We are met here tonight to discuss tax cuts, the largest in state history; everywhere else the only direction under discussion is up.

I have long admired John Adams' diary entry of 1775: Facing incredible hardships and, for all he knew, a hangman's noose for his patriotism, his only thought was "Great things are wanted to be done."

We have proven ourselves capable of great things. We fixed our fiscal problems, and did it without raising taxes. We solved the transportation shortfall of the state, without either taxes or borrowing.

The telecommunications bill you passed, on a bipartisan basis, is the best in America and has brought us thousands of new jobs. The health insurance bill you passed, on a bipartisan basis, has now begun bringing peace of mind to thousands of the previously uninsured and unprotected.

These are great models of cooperation in the public interest. We are called now to act once again, together, on a great thing that is wanted to be done: to bring lasting fairness and affordability to the taxation of property in our state.

A quick google of the words “property tax” and “crisis” would turn up hundreds of hits among news reports of recent months. And, for many Hoosiers, the bills of 2007 can fairly be labeled that way.

If you are watching tonight in any of the 250,000 Hoosier households where property taxes went down, you may be asking if the word “crisis” is an exaggeration. But if you are in South Bend, or Muncie, or anywhere else where bills suddenly skyrocketed, you won’t think it’s too big a word. None of us should think so because, as in everything, we are in this together, and a crisis for any Hoosier family is a problem for us all.

Many of you know the Chinese concept “wei ji,” the single character for “crisis” that means both “danger” and “opportunity.” Indiana’s property tax dilemma presents us with a glistening opportunity not merely to alleviate a problem, but to create yet another positive advantage for our state.

We are off to a fine start. Mr. Speaker, Mr. President Pro Tem, taxpayers could not ask for more fair-minded cooperation than you each demonstrated by beginning work immediately on the framework bill I proposed.

The tenets of that framework are well known to each member, and need no lengthy elaboration here. I ask you to take four – there’s that number again – major steps on behalf of taxpayers.

First, immediate relief to every homeowner, taking Indiana property tax levels to some of the very lowest in America. The plan I sent you would place our state among the lowest eight or nine states anywhere, and by far the lowest in the Midwest.

Second, permanent protection against the return of unaffordable taxes, through a permanent, constitutional cap of one percent of a home’s value, an absolute ceiling beyond which no homeowner would ever pass. Make the cuts further secure by lifting permanently the costs of child welfare protection and school operations off the property taxpayer altogether.

Third, reform of our hopelessly unfair assessment system, with its unexplained inaccuracies and its unequal treatment of like properties.

And fourth, genuine limits on total local spending and borrowing, with none of the loopholes and exceptions that have permitted such spending to balloon in recent years. I hope you will join me in giving citizens what they have in most states, a final say over major capital projects through a straightforward referendum. I do not share the fear of some that Hoosiers cannot be trusted to weigh the pros and cons of big investments for

which they will pay the costs. I say, trust the people; give them the facts, and let them vote.

We should do all this in ways that preserve local control over the operations of schools and the setting of local priorities. Fix authority and accountability for controlling total spending where it should be, on the elected leadership of each community, and end the era of micromanagement from Indianapolis.

The complaints have started, of course, from those who say they just couldn't possibly get by on less of the taxpayers' money. That capping property tax bills and total local spending must yield to the demands of business as usual.

But it is business as usual that must yield. Business as usual means spending as usual means taxing as usual. To tax less, you must first spend less, so you must say a polite "no" to the spenders and their lobbyists, and an emphatic "yes" to the overburdened property taxpayers of Indiana.

And when you have, your work will have set the stage for still further and equally historic change. Real limits on local spending growth will propel, or even compel, long overdue repair of our antique local government furniture.

When it comes to the structure of local government, Indiana skipped the twentieth century. A time traveler from Civil War days would be dumbstruck by an iPod or I-70 or eye surgery, but he would have no trouble recognizing our system of local government. We have too many offices, too many taxing units, too many politicians, too many of everything, and they all cost money.

At my request, seven leading Hoosiers with no axes to grind, no interests at heart except the public interest, recently completed a true act of citizenship. Their report charts the path to better local government and keeping property taxes down over the long haul. Indiana owes Joe Kernan, Randy Shepard, and their colleagues a heartfelt expression of thanks. And, in the wake of property tax reduction, we owe them bold action on the excellent recommendations they have given us.

In the work immediately before us, we must not settle for a mere shift of taxation. Yes, we should add a penny to the sales tax as the fairest source of funds for relief. But we can also use a prudent piece of our newly restored surplus to make our reform an historic net tax cut. The plan I have proposed will deliver \$1.19 in tax cuts for every dollar of new sales tax revenue. And next year, when the caps take full effect, taxpayers will be enjoying almost \$2 of tax cuts for every dollar of new sales tax, almost a billion dollars in all. That would amount to by far the biggest tax cut in state history. That is making opportunity from crisis.

This Assembly will take up other business, as it should. I ask, for instance, that you pass a package of measures that will help us improve still further our collection of child support payments. Our progress has been encouraging, but when 45 cents of every court-

ordered payment dollar still goes unpaid, and each cent represents more than \$5 million dollars straight to single parents struggling to give children a decent upbringing, more tools are necessary.

But we all know that this session has one paramount assignment, one act for which it will be remembered. Property tax reduction in all its dimensions will be hard work, time-consuming work. We must resolve to stay at it until success is achieved. Please don't make spring break reservations without a refundable ticket, because we're all staying as long as it takes.

But the fast start you've made, and the bipartisan spirit in which you've made it, gives taxpayers every reason to expect historic action with an on-time delivery. Just in case we need a little spur, here's a friendly challenge.

With Cheri in the balcony tonight is a friend to all Hoosiers, the first governor to deliver property tax relief, our own Doc Bowen. Doc and Carol, you know how much we love you.

Six weeks from today, on February 26th, Doc Bowen will reach his 90th birthday. May I suggest to you that an excellent birthday present, and a fitting tribute to this great man, would be the passage by that date of fair, far-reaching, and final property tax reduction that makes Indiana a capital of the American dream of home ownership?

Within my first few weeks in this job, I flew to the East Coast to make a case for Hoosier jobs to a Fortune 50 CEO. In that conversation, he posed a memorable question: "Indiana," he said "Indiana...What are you known for? What makes your state distinctive?" "Sir," I said, "today that's not easy to answer. But one day you won't have to ask. No one will."

Just three years later, answers have begun to emerge. When knowledgeable Americans think of telecommunications reform, they think of Indiana. When advocates of agriculture, or biofuels, or clean coal technology convene, Indiana comes up first. At every meeting about the national transportation crisis, it is Indiana they talk about as the one state that solved the problem.

In recent months, Indiana has been rated number 12 nationally for our business tax climate, number four for our overall cost of doing business, and number three for economic development success. We are now number one in the Midwest in all those categories, "an island of growth" as one economist recently wrote.

But top tier rankings and regional leadership are not enough. Indiana aims higher these days. We pause for satisfaction only when we hit the very top, as we did last year when Indiana was number one among all states, regardless of size, in winning investment and insourcing jobs from international companies.

Within the last year, Indiana became host to the largest biodiesel plant in the world. To the largest, most high-tech mail order pharmacy in the world. To the world's first commercial-scale clean coal power plant. Yes, we're becoming known. We're becoming distinctive.

On one of the most unforgettably joyful evenings I have spent in this job, I was permitted to be the grand marshal of Indiana's Special Olympics. That night in Terre Haute, among individuals and families who have faced and triumphed over disabilities, over struggles most of us cannot really comprehend, I picked up a new motto, the motto of the Special Olympics: "Win or lose, may I be brave in the attempt."

My fondest hope for this era in which we live is that we are becoming a braver Indiana: unafraid of competition, unafraid of new ideas, unafraid of change. And always brave in the attempt to take long steps for big goals like fairness, and ownership, and economic security, goals that property tax reduction would serve.

So let's show some bravery these next six weeks. Some will say, how brave do you have to be to vote for a huge tax cut? But we all know how strong the pressure of special interests can be, how relentless the criticism even from those with no plan of their own. So we know that our opportunity will not be seized without bravery.

Bravery, and bipartisanship. The spirit that produced telecom reform, and health care for the uninsured, and a second honestly-balanced budget, must be brought to bear again. When it is, there will be ample thanks due from all Hoosiers to those of either chamber, in either party, who join hands, bravely, to do more than solve a problem, or dispel a crisis; those who fix their view not on the risks, and the critics, and the special interests, but on the chance for leadership, for breakthroughs, for greatness that lies straight ahead of us. So be brave these next few weeks. Great work is wanted to be done.

God bless this Assembly and this great state.