



SPEECH

GOVERNOR'S COMMUNICATIONS OFFICE

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STATE OF THE STATE ADDRESS - "BACK TO BASICS"

GOVERNOR PHIL BREDESEN
JANUARY 28, 2008

Lieutenant Governor Ramsey, Speaker Naifeh, Speaker Pro Tem DeBerry, Members of the 105th General Assembly, Justices, Constitutional Officers, friends, guests and my fellow Tennesseans.

Once again I stand before you, my sixth time, to report on the State of our State and to present a budget prepared in accordance with the requirements of our Constitution. I recognize that the national economy is slowing, and I'm proud that the soundness of our fiscal situation—a soundness we have built together—helps us navigate these stormy waters safely. The budget I am recommending is a "back to basics" one. It is realistic for the times, it is honestly balanced, it does not call on reserves, and it calls for no new taxes.

As I have done each year, I want to begin with the recognition that tonight there are thousands of Tennesseans serving our nation abroad. As of this evening 95 of these soldiers have lost their lives in this service, 19 of them since I addressed you last year.

Would you join me in honoring these fallen Tennesseans, these Tennessee heroes, with a moment of silence?

To honor the many thousands of Tennessee National Guard soldiers who have served and who continue to serve our nation, we have invited here this evening two soldiers who have recently returned from service in Iraq:

- Representing the Tennessee Air National Guard, we are joined by the senior enlisted officer of the One-eighteenth Civil Engineering Squadron. This squadron of 64 airmen returned on January 19th from Iraq, where in a four month period they completed over 700 missions. Please join me in showing our appreciation to Staff Sergeant Craig Miller from Murfreesboro and all those he represents this evening.
- Representing the Tennessee Army National Guard, we have with us the commander of A Battery, First of the One-fifteenth Field Artillery Battalion. This unit returned last September after a one year deployment providing convoy security throughout Iraq. They completed 265 missions, they touched over 1100 forward operating bases and they endured RPG attacks, IEDs, and other terrorist actions. Members of the unit have been awarded three purple hearts, nine bronze stars, and a number of other distinguished awards. Please join me in showing our appreciation to the commander of A Battery, Major Steve Jayco of Camden, Tennessee and all those he represents.

As you know, a Tennessean, Al Gore, won the Nobel Peace Prize this past year. The General Assembly formally honored him, as it should, and we are all proud of what he has achieved. Al Gore shared that Peace Prize with the Intergovernmental Panel on Climate Change, headquartered in Geneva, Switzerland.

What is less known here in Tennessee is that five of the scientists who did the work to earn that other share of the prize are also Tennesseans, working at Oak Ridge. Two of them have joined us here this evening; Dr. Thomas Wilbanks and Dr. David Greene, both geographers. Would you join me in showing our respect and admiration for these Tennessee scientists and their colleagues?

This past November, I had the honor of joining Dr. Ben Hooks of Memphis in attending the ceremony at the White House in which the President presented him the Presidential Medal of Freedom. This is our nation's highest civilian honor, and recognizes a rich life and great achievement in the field of civil rights. Dr. Hooks couldn't be here this evening, but I would ask you to honor this distinguished man as well with your applause.

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Before we get down to business tonight, I'd like to begin with a small celebration. We all know that there is plenty to do, everywhere, but let's take a moment and reflect on some things that we have done.

Security and preparedness. This is a bedrock responsibility of any Governor. This past summer Tennessee was named by the U.S. Department of Homeland Security as one of the ten states in the nation to achieve their highest ranking for our disaster response plans. And we were one of eight states to get a perfect score—10 out of 10—from the Trust for America's Health for emergency preparedness. To David Mitchell and Jim Basham and Gus Hargett and Susan Cooper, and to all your supporters in the General Assembly, thank you.

Economic development. Jobs. Tennessee is a good place to do business. One of the objective ways to measure how well our businesses are doing is to measure and compare the bottom line—how much the per capita corporate income tax base has actually grown. The answer is impressive. If you take out states that enacted new taxes, which we did not, we rank 15th nationally, and we rank first in the Southeast. This is good news for our economy and for the creation of the skilled and high-paying jobs that we are seeking. To Matt Kisber and Regan Farr and Jim Neeley, and to all those who support you in the cabinet and in the General Assembly, thank you.

The Environment. Not so many years ago, some of our state parks had padlocks on the front gates, others had fees to get in. This year they are open, free and just won the Gold Medal from the National Recreation and Park Association for the best state park system in America. To Jim Fyke and to all those who support you in the General Assembly, thank you.

Education. I've saved the best for last. Over the years, when others have talked about public education in Tennessee, we always seem to be forty-something. Forty-sixth in funding, or forty-fourth in something else.

Education Week, which is the pre-eminent and most widely-read publication in the field of public education, does its annual report card and state rankings each January. The 2008 rankings have just come out.

Believe me, these kinds of grades and rankings should always be taken with a grain of salt, and they don't always capture what is most important. But I'll confess to you that it was nice to look it over this year. We're still in the 40s on school finance, 41st to be exact. But this year for the first time they ranked states on overall scores—the measure that tries to take everything into account—achievement,

standards, transitions, teachers, finance—the bottom line. In that ranking, this January, we're not in the 40s. We're not in the 30s. We're not in the 20s even. Tennessee is ranked this year #16 in the nation.

In areas we have focused on, we do even better. In the category of "Standards, Assessments and Accountability", we're ranked number 10 in the nation. After the actions that our State School Board took last week to further raise standards, I expect this to climb even higher in the years ahead. And my personal favorite ranking. In one of the six categories they look at, "Education Alignment Policies"—this is where pre-K lives—we know we still have lots to do here, but in 2008 our Education Week rank nationally is one.

We are making progress in education. There are a lot of people to thank for this, most especially the wonderful teachers we have across our state. Our teachers have responded enthusiastically and completely to the challenges we have placed before them, and speaking as Governor for all of our citizens, we thank you.

Please allow me a moment however to thank one person specifically. I'm losing her this week, she is moving on to new challenges and her leaving is a sore loss to me and our state. There is no single person more responsible for the progress we have made; please join me in saying thanks and Godspeed to our Commissioner of Education, Lana Seivers.

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Now down to business.

Each of you here this evening knows that the economy of our nation and our state has softened in the past six months. Changes in the economy always have to be blamed on something, and the problems our nation is experiencing with sub-prime mortgages are the popular explanation for what is happening right now. But even more fundamental is the reality that the business cycle has not gone away, we'll have better years and worse years for a long time to come. There's no tax policy that will fix this; in fact states with income taxes typically experience bigger swings than we do when the economy changes.

We just have to learn to live with this reality and most importantly, learn to manage through it. I want you to think this evening about our job as if we were the officers and crew of a sailing ship—we'll call her the "Tennessee." In the first year we crewed together, we had a full-blown storm to navigate. The next couple of years were in calmer waters, and last year was positively bright and sunny and with a following wind. This year, so far, we've got some heavy seas once again; not a real storm yet, but definitely some attention-getting waves.

There's an old sailor's adage: you can't control the wind, but you can adjust your sails. We can't control the national economy, but we can make the adjustments that let us ride it out.

I liken us to the officers and crew of a sailing ship for a reason: a crew that can handle the ship in calm waters but falls apart when the storms come is a failed crew. The public looks at us like that ship's crew; they look at the people in this room tonight like that ship's officers. On sunny days, they expect us to maintain discipline; on stormy ones, they expect us to do what we're paid, what we're elected to do: sail the good ship Tennessee through whatever waters it encounters; skillfully, sensibly, and most of all, safely.

You know my commitment to running government—to sailing this ship—in a competent and businesslike manner. One of my goals as governor is to leave my state with as many tools as I can to help it navigate through smooth waters and storms and everything in between. Build on the sunny days—we've done that. Trim your sails when there's a storm on the horizon—we're doing that. Most of all, make sure the day you finally walk off the bridge the ship is tighter and sounder and better prepared than you found her—we're going to do that.

We expect our revenues this year to fall at least \$180 million below the final projection you adopted last spring, and the budget being presented to you tonight is about \$400 million below what it would have been without this year's shortfall and with what would be normal growth next year.

The current year's shortfall is being handled fine. TennCare in particular ran well below its budget last year, and we were able to both return some appropriation to the general fund and further build TennCare reserves. It is a welcome change that TennCare can be part of the solution. I thank Darin Gordon and his staff for what they have accomplished, which is remarkable.

We have also increased our departments' reversion targets—the amounts they are asked to return to the general fund at the end of the year. This amounts in its effect to reductions in their budgets, while leaving our commissioners the flexibility to handle reductions as they see fit. We expect to smoothly finish the year within the reduced revenues; we will not call upon the rainy day fund absent some dramatic change in circumstances. In fact, we'll continue to grow it.

Next year presents a greater challenge, and we need to do the same thing as that sailing ship does when the waters get rougher; focus, concentrate on basic seamanship. We've had some good weather, especially the past couple of years, and we've used the time and our good fortune to make some much needed repairs and improvements to the good ship Tennessee. We've made major capital investments, for example, over \$1 billion in higher education capital projects alone.

But now's the time, now's the weather, to come down from the mast, to put away the paint and the polish, and concentrate on basic seamanship, on basic statesmanship. There are still a lot of things we'd like to do. We leave them for another day, and put our full attention to those things that we need to do to keep Tennessee safe and moving forward.

I want to talk with you about four of those areas: education, crime, jobs, and health.

Education. In my address to you last year, I spoke entirely about education, and asked that we make some major changes. Together, we have done that. The BEP distribution formula has been reworked to make it simpler, and more important, much fairer. We called it BEP 2.0. Our budgets contained large increases in K-12 funding, and we agreed upon and set in law a framework for even further improvements in funding in the future. This framework is a far more sensible approach than picking and choosing items to fund year by year. We made major improvements in accountability, in local school boards' flexibility to manage their systems, and most importantly in standards. Tennessee, as part of the American Diploma Project, is nationally recognized as a leader in its commitment to strong and high standards, and I am proud of us for that.

As in years past, this budget fully funds the BEP. In addition, the remainder of the tobacco tax money—we estimate it at \$87 million—has been incorporated to further fill out the framework of BEP 2.0. This will help us continue the progress we are making in K-12 education. I have also placed in the budget \$25 million to continue meeting the requests of communities across our state for Pre-K classrooms. That is not enough to fund all of the requests that we have, but will keep us moving forward. Pre-K remains, dollar for dollar, the best investment we can make in improving the chances for our children's educational success.

Let me address one issue head on. I have followed some of the discussion about halting the further funding of pre-K insofar as it serves any children other than the poor, the so-called "at-risk" students. This would be a terrible mistake, and I ask those of you who are espousing this to reconsider.

How do you say to a middle class family with children in the public schools: "Yes you pay taxes for these classrooms; yes, they are public schools; but no, those classrooms aren't open to your children?"

I hope to live to see the day when we stop dividing our children up into poor and rich. These are all God's children, these are all America's and Tennessee's children; we run the schools, they are public schools, they are a public responsibility, they need to be open to the public.

The budget that I am proposing also contains two changes to the lottery scholarship program. I believe in the merit concept behind the Hope scholarships, and want to retain it. But when nearly 80% of the scholarship winners lose their scholarship during their time in college, something is wrong.

It's time to fix this, and I have proposed in this budget that we change the grade point average for retention of the scholarship from 3.0 to 2.75.

This has a simple and I think compelling rationale; the average grade point average in college of scholarship winners is about three tenths of a point less than it was in high school. In other words, college is harder than high school, and the student who achieved a 3.1 in high school will on average achieve a 2.8 in college. Changing the retention level in this way says to the student, "If you work as hard in college as you did in high school to earn the scholarship in the first place, you can keep it."

I know there is a lot of interest in the lottery reserves, and I agree that they have grown beyond what is reasonably needed to operate the lottery. I'd like to suggest an approach as to how we might employ them usefully but conservatively.

First, a short story. A week ago last Friday—the Friday before Martin Luther King Day—I spent part of the morning at Overton High School here in Nashville, with a high school history class, talking with them about Dr. King. These students were a delight to be with. Of the twenty or so students in the class, there were four or five who always had their hands up. They were probably 'A' students, and will likely earn one of our Hope scholarships.

There were also another half-dozen students who were more reserved, more reticent, who didn't express themselves quite as readily, but who when you listened to them had thoughtful and interesting and perceptive things to say. I walked out of there understanding that those students—likely 'B' and 'C' students, I'd guess—have a voice worth hearing too, have a voice that can contribute to this world if they have doors open for them as well.

In our state we have a lot of these students, who may not earn a Hope scholarship, but who want to go to college and need financial help to do so. Over 80,000 students apply each year to our own Tennessee Student Assistance Corporation, but we can only assist 21,000 of them because TSAC simply runs out of money. Let's keep the merit scholarships intact, and keep rewarding excellence, but let's also start expanding our help to others as well.

I have proposed in this budget that we take about half of the unallocated lottery reserves, \$200 million specifically, and use it to establish an endowment for TSAC. Between the earnings from this endowment and a small additional appropriation from the annual lottery surplus, we will be able to assist financially another 12-15,000 deserving and hard-working Tennessee students to earn a college education.

Tennessee has some wonderful, successful students who we know have a bright future. With our lottery scholarships, for them we've straightened and smoothed the road to a college education. Now, let's open our hearts, let's widen that road and let more of the others on it as well.

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Another basic in both sunny and stormy weather is public safety; reducing crime and keeping our citizens safe. There are three new items in the budget that address the safety of our citizens.

First, this budget contains the additional money that is needed to fully implement the Johnia Berry Act. It funds the lab work that is necessary to quickly process the DNA samples that we will take as a result of this act.

Second, we are proposing and have budgeted the required funding to implement Administrative License Revocation for drivers who are arrested for drunk driving. This was a key recommendation of my drunk driving task force, and I believe will reduce the number of drunk drivers on our roads.

And third, this budget contains substantial new money to staff the additional prison beds that are being built in conjunction with Brushy Mountain. One of the ways to prevent crime is to make sure we have the space to keep those who commit it behind bars.

I know this chamber is filled with people who are committed to fighting crime, and I respectfully ask you to fund these requests so that we may continue the fight.

Education, and public safety. Another basic is jobs; making sure our economy continues to grow and produce good jobs. Even though the year is tight, we continue in this budget to appropriate money to the funds that allow us to offer infrastructure improvements and training to companies looking to relocate or expand here. We continue to place special emphasis on job development in our more rural areas. I know from the business world that when times get tight, these investments are often the first to be cut, and I also know that this is almost always a mistake. Here in Tennessee, we have not been as strongly affected as many other states have by the national slowdown. The reason, in part, is the strength and diversity of our economy. Our ship is pointed in the right direction here, and I ask you to stay the course.

While I'm speaking about jobs, I'd like to talk with you about the people we employ right here in state government. My appreciation for the dedication and quality of our state employees has grown with every year I've spent as governor. I spoke a moment ago of the importance of keeping economic development in the top ranks of our lists of the basics. I want to add our own employees to that list as well; I do think they all too often are the first to bear the brunt of flatter budgets.

This year's budget includes an across-the-board 2% raise for our state employees. This is done to recognize that attracting and retaining good employees is just as basic to state government as to any industry in our state. We are making cuts in other areas of our departments' budgets to make this possible. I wish it were more, but I hope that the priority that is being given to our employees will help assure them of our commitment to them.

Any good captain knows that valuing the crew, treating them with respect, and giving them the tools they need is basic to good seamanship.

Education, safety, jobs, employees. I'd like now to address the subject of health.

We have a lot of things underway in the health field.

I'm particularly proud of the efforts that our state is making to fight some of the underlying causes of serious health problems, particularly in the areas of obesity and smoking. This is the real frontier in public health, and we're starting to show some real successes here; the smoking rate in middle school has declined from 17% to 10% over the past year, for example. That 10% is still 10% too high.

We are also a national leader in e-health, in the use of electronic data and communication technology to maintain and make accessible to providers a person's health records. There are advantages to both the cost and quality of health care that flow from this use of technology. We have paid a great deal of attention to the privacy and security of these records as we have proceeded. The initiative we have developed in conjunction with Vanderbilt University in the greater Memphis area is frequently held up as one of the two or three top e-health efforts in the nation.

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Finally, I'd like to talk this evening though about a promise that I've made and not yet kept—expanding alternatives to nursing homes for our elderly and disabled residents, the so-called home and community based services. Tennessee usually ranks dead last among the states in alternatives to nursing homes. This is the year I want to fix that, this is the year I want to fulfill my promise.

In the months ahead, with your help, we are going to fundamentally restructure how long term care is handled in our TennCare program, and it will be a much better and more humane program as a result. Eligibility is slow today; we are going to speed it up. We need to make it easier to stay at home with more home and community-based services. We need more residential alternatives to nursing homes and we need more consumer-directed options such as allowing the consumer to select or even employ his or her own caregivers.

These are not just goals, we will present you with the "Long Term Care Community Choices Act of 2008" to restructure legislatively this part of TennCare, and TennCare itself will be making changes in conjunction with this to open the doors to a richer set of choices for our citizens.

We cannot of course put significant new dollars into long term care this year. What we will do is to restructure what we have, and provide a framework for the future in much the same way as we did with the BEP last year. We will not do this independently, but in consultation with members of the legislature, with the industry itself, and with citizens who have been calling for changes in long term care for a long time.

There is a growth in my own personal understanding here. It becomes plainer to me every day that our state has so many citizens who are elderly and who are beginning to deal with the reality that they can no longer do everything for themselves in quite the way they did twenty years ago. Our state is full of the children and grandchildren of these citizens who want the best for them, and are looking for ways to accomplish that.

And most personally, I know my mother is watching this proceeding tonight, and she still hasn't stopped teaching me. I want to say to her, Mom,

I've seen how much you want to be in your own home;

I know how difficult that would have been a few times these past couple of years without some help;

I know that not everyone has a granddaughter like you do who can give that help.

My job is to open more doors to alternatives here in Tennessee. If you want to stay in your home, if it makes sense to do so, this is the year we're going to start making it easier.

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In this year's State of the State, I've carried through a nautical analogy, likening us to the crew of a sailing ship navigating heavy seas. I did so because there's a real core of truth there. The public—those who have placed their trust with us—really does expect us act like a crew when the seas get heavy. There's another old saying that I heard years ago, that I think sums it up: "The world is not much interested in the storms you encountered at sea. The question is: did you bring the ship safely to port."

When it comes to the important things, the people of Tennessee don't really care about governors and legislatures, don't really care about Democrats and Republicans, aren't interested in the day-to-day challenges we face in government. What they do care about is us getting down to business and sailing the ship safely and on course through whatever seas she encounters.

"The world is not much interested in the storms you encountered at sea. The question is: did you bring the ship safely to port." Working together, we can bring her safely to port.

Thank you for your courtesy here tonight. May God bless Tennessee and her people, and may God continue to bless and protect the land called America where, working together, dreams come true.

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