

**State of the State Address
Tennessee: Full Speed Ahead
February 9, 2015**

--As prepared--

Lieutenant Governor Ramsey, Speaker Harwell, Speaker Pro Tem Watson, Speaker Pro Tem Johnson, Members of the 109th General Assembly, Justices, Constitutional Officers, Commissioners, friends, guests and fellow Tennesseans:

First, let me begin by assuring you that I don't plan on making you listen to me give an address every week. There was the inauguration a couple of weeks ago, Insure Tennessee last Monday, and then tonight. I'm sure some of you are already tired of hearing me, so this will be the shortest State of the State speech yet.

Last week, the decision was made not to move forward with Insure Tennessee. However, that does not mean the issues around health care go away. Too many Tennesseans are still not getting health coverage they need in the right way, in the right place, at the right time. An emergency room is not the place where so many Tennesseans should be going for health care services. It's not the best health care for them, and it's costing us a lot more in the long run.

Health care costs are still eating up too much of our state's budget and impacting the federal deficit and nation's debt. According to the Congressional Budget Office, if we maintained health care costs at their current levels, which we know are inflated, for the next eight years – just kept them flat - we'd eliminate the nation's deficit. To do that, we can't keep doing what we have been doing.

So, though the special session has ended, I hope we can find a way to work together to address those problems.

As we transition from the special session to the regular session, I look forward to continuing to work together on the important issues that face our state and our citizens.

This evening, I am here to update you on how we're doing as a state and to present our administration's budget. You will see in the budget that we are continuing to invest in the things that we believe in and that Tennesseans care about: education, jobs and a customer-focused, efficient and effective state government.

I stand here tonight to tell you that the state of our state is enviable in many ways. There are a lot of good things happening in Tennessee, and they're being recognized in significant ways across the country.

Nearly 225,000 new private sector jobs have been created in Tennessee in the last four years, and we hold the designation of "State of the Year" in economic development for an unprecedented second year in a row.

We lead the country in academic achievement gains, and we are the first state ever to promise that our high school seniors can attend two years at a community or technical college free of tuition and fees.

We have the lowest debt per capita of any state and among the lowest tax rates.

So, we have a lot of momentum to build on, and as I said several weeks ago at the inaugural, we're not letting our foot off the gas.

The next four years also come with the reality that we will face the same budget challenges that we have faced in the past four years. Every year we have a limited amount of new money that is available from our revenue growth. That new money rarely keeps pace with our budget obligations and growing costs for education and health care. That's why it is so important that our state has built a track record of fiscal restraint.

There are a lot of things that state government is responsible for and that we're accomplishing that you may not know about. I still learn something new from our departments all of the time. For example:

- Our Department of Developmental and Intellectual Disabilities' state service delivery system is the very first to be accredited in the nation.
- In the Department of Children's Services, the Child Abuse Hotline took 140,000 calls and 80 percent of those calls were answered within 20 seconds, which exceeds national standards.
- In 2014, there were fewer accidental fire-related deaths in Tennessee than in any year in recorded history.
- Last year, Tennessee had the second lowest number of traffic fatalities of the past 50 years.
- Average wait times in our driver services centers have dropped from over 32 minutes in 2011 to under 24 minutes in 2014.
- Tennessee State Parks had 35 million visits last year.
- The Department of Veteran's Affairs serves about 10 percent of our state, more than half a million veterans and their dependents each year.
- We are all concerned about prescription drug abuse in our state, and from the work of our Public Safety Subcabinet and legislation you've passed, the amount of narcotic pain medication prescribed in Tennessee is down five percent. And, doctor shopping is down 42 percent from its peak in 2011.

All that work starts with a state government that is up to the task. That means a customer-focused government that recruits, retains and rewards the best and brightest employees to serve.

Three years ago, we worked with the General Assembly to overhaul our outdated employment system. Because of that, we are now able to recruit, hire and promote based on who is best for the job, not who has been in line the longest.

Two years ago, we put \$60 million in the budget to raise state employee salaries to be more in line with the market place.

This year, we are including \$48 million in the budget for employee pay raises and market adjustments. That amounts to a three percent pool, but unlike in years past, those won't be across the board. Pay raises and compensation will be tied to employee performance in addition to ongoing market adjustments. We have worked hard to bring employee salaries up to be competitive with the private sector. After nearly two years of implementing performance evaluations, it makes sense to take the next step to move toward rewarding employees like the private sector does – on their performance and results, not just on seniority.

As we continue to prepare for a changing workforce, we are doing all we can to give our commissioners the tools and flexibility to meet the needs of their departments.

We are going to be asking a lot from our employees as we move full speed ahead. I am grateful for the dedication of employees all across the state, and I'm excited about the opportunity to better recognize and reward them for their work.

As we talk about state government's workforce, we are also making certain that Tennesseans are prepared for the workforce challenges of today's global market economy.

There has been a lot of talk in this country about the income gap – about our shrinking middle class – and it's no secret that Republicans and Democrats have some different views about the best ways to address that. But there is a truth that we all know and that we can all agree on.

The best answer of all involves creating opportunity for more people to be prepared for the jobs of the future.

If you take a two-earner high school educated couple and they both obtain college degrees, their income rises on average \$58,000 per year.

Unfortunately, in our country, the escalator has stopped. In ranking the world's countries by the percentage of the population with a degree, the United States ranked second in 2000. Today, we are fifth, and most disturbingly, we ranked 12th among the 25 to 34-year-old age group.

More Americans, almost 30 percent, have less education than their parents, than the 20 percent who have more education than their parents.

In Tennessee, we are doing something about that. Two years ago, we announced our Drive to 55 to raise the percentage of Tennesseans with a certificate or degree beyond high school up from 32 percent to 55 percent by the year 2025.

Last year, we introduced the Tennessee Promise - the very first state in the country to guarantee high school graduates two years of free community college or technical school.

This year, of our 65,000 high school seniors, 58,000 of them applied for the Tennessee Promise. Equally notable, 9,200 adult Tennesseans signed up to be volunteer mentors for those students. For the last 30 years, Tennessee's greatest need has been for better trained workers who can fill the jobs that companies want to bring here. We think the Tennessee Promise is a game changer.

We know that access is important, but even more important is success. Not only do we need to get those students into school, they need to finish. That's why the mentor piece of the Tennessee Promise is so important.

But we're also going to include \$400,000 in this year's budget to establish the Tennessee Promise Bridge Program. It's a pilot program to bring first-generation students to campus prior to fall enrollment. When nobody in your family has ever gone to college before, being there can be intimidating. This is one more step to make sure these students have the best chance possible to succeed.

It is also why our SAILS program is so important. SAILS gives students who need extra support in math that attention during their senior year in high school so they can avoid remediation when they enter college. We piloted the program two years ago, and the results speak for themselves.

Last year, 8,100 students were served by the SAILS program, and almost 70 percent of those students completed all remediation while still in high school. That saved families nearly \$6.5 million in tuition.

This year we are including \$2.5 million to sustain the success of the SAILS program.

But the reality is that just reaching high school graduates won't be enough to reach our goal. In Tennessee, there are nearly one million adults with some post-secondary credit but without a degree. We have to figure out ways to reconnect those adults and remove the barriers that are preventing them from earning their certificate or degree, which will lead to a better job and future.

We are including \$1.5 million dollars in this year's budget for a pilot program – modeled after the Tennessee Promise - to provide last dollar scholarships to adults with some post-secondary credit to attend community college.

Also, beginning this fall, any Tennessee adult will be able to attend a Tennessee College of Applied Technology absolutely free.

The budget also includes nearly \$2.5 million for statewide outreach efforts geared toward adult students, technical assistance to local communities that are finding ways to support adult learners, and a one stop portal for adults.

One group of adults that has shown a lot of enthusiasm on college campuses is our veterans. From 2008 to 2013, we saw an increase of nearly 200 percent of veterans enrolling in our colleges and universities. Our Veterans Education Task Force has been working to address the unique needs that our service men and women have when they come home and go back to school. Based on their report, the budget includes \$1 million to set up competitive grants to 2-year and 4-year schools to develop initiatives specifically designed for veterans to be successful in earning a degree or certificate.

As we drive more students to our community colleges, technical colleges and universities, we are expecting more from our schools than we ever have before.

We are asking them to move full speed ahead too. We want to make sure they're keeping expenses low and working to control tuition costs. We're asking them to make sure they're providing the right instruction and classes that lead to real jobs.

We know that we have a role to play in this process too. We've made education, both K-12 and higher ed, top priorities - both from a policy standpoint and through our budgets. This year is no exception.

In response to our schools' new focus on success and completion, we will be investing \$25 million to fully fund the Complete College Act formula.

The budget will also include \$10 million to fund more need-based scholarships for students.

We've budgeted more than \$260 million for higher ed capital. That funds new science facilities at Jackson State Community College and the University of Tennessee. It also includes nearly \$25 million for improvements to our colleges of applied technology all across the state, and it includes the funds to complete the long awaited fine arts building at East Tennessee State University.

The reason we continue to make these investments in education is we want Tennesseans to have the education, training and skills necessary to have a good paying, high-quality job.

And we're having a lot of success in attracting those jobs to Tennessee. Tennessee has become known around the world as a leading automobile manufacturing state. That's good news because those are good jobs that bring a lot of other good jobs with them through the supplier network.

In the past, while companies might have trusted us to build their automobiles, they typically put their research and development efforts elsewhere. Today that's changing, and more and more research and development jobs connected to manufacturing are coming to Tennessee. We want to be known as a state where employers can find the job skills that they need no matter what the skill level of the job might be.

If we are going to achieve the goals of the Drive to 55, then Tennesseans must first have a strong foundation through what they learn in elementary, middle and high school.

I truly believe that getting education right is critical to the well-being of our state – today and in the future. We have to keep going full speed ahead. We can't afford to go backwards.

We've come too far to sell ourselves short. It would be an injustice to our students, to our teachers, to Tennessee families, and to ourselves.

There has been a lot of discussion about education, here and in schools and communities across the state. Most of the discussions have been around three things: state standards – what we will expect every student to know at every step along the way in his or her education journey; student assessments – how we will measure what students have learned through the year; and teacher evaluations.

Let's start with standards. Standards are the foundational skills that students should know at different grade levels. For example, one of the kindergarten reading standards is to “demonstrate understanding of spoken words, syllables, and sounds,” which includes recognizing and producing rhyming words and counting, pronouncing, blending and segmenting syllables in spoken words.

We typically review education standards - like that one - every six years, but because of the ongoing conversation on a state and national level, we thought it was appropriate to take a fresh look at them now, after four years. It is important for us to realize that there are more than 1,100 standards for English language arts and more than 900 for math.

Back in November, we launched a website where Tennesseans can go to review and make comments on our existing state standards. This spring, the Southern Regional Education Board, an independent, third party organization, will collect the input from the website, which will then be reviewed and analyzed by six advisory teams divided up by subject matter and made up of Tennessee educators. Those teams will then make recommendations to two expert committees of educators, which will then propose changes to the State Board of Education.

If you haven't visited the website, I encourage you to do so. So far, nearly 82,000 comments have been submitted. I expect that we're going to talk about state standards this session, and I think it is important that we know exactly what the standards are that we're talking about and possibly voting on.

To me, it doesn't really matter what we call our standards. What does matter is that we have the highest standards possible. What does matter is that we continue to have high expectations for our students, teachers and this state. We can come up with Tennessee standards that allow our students to compete with anyone in the world.

Over the past four years, I've met with thousands of educators to get feedback on what's going well in our schools and classrooms and what's not. One thing I hear a lot is frustration about the feeling that their profession is treated like a political football. We have to give our educators more stability and certainty in their classrooms and not change the game on them session after session.

We've proposed legislation that specifically addresses many of the concerns I've been hearing from teachers including the alignment of what they're teaching with our year-end assessment and having the Department of Education provide more information about the annual tests so they can better prepare their students every year. We are also proposing to make reasonable changes to teacher evaluations, and we're focusing on overall improved communication and collaboration with educators.

We are asking more of our teachers and their students than ever before. And guess what? Teachers and students are rising up to the challenge.

By now, almost everyone knows that Tennessee is making impressive gains in academic achievement. I expect there will be a lot of discussion about education this session, and there should be. You've heard me say it before, but it bears repeating: There is nothing more important to our state than getting education right. That's why in this year's budget, we are proposing nearly \$170 million more for K-12 education.

The budget includes nearly \$44 million to account for growth in the Basic Education Program. While other states are cutting K-12 education, Tennessee continues to be one of the few states in the country to make significant investments. In fact, our state spending on K-12 education over the past four years increased at a rate more than double the national average.

We know that a big part of success is to have a great teacher leading every classroom. Just like with state employees, we want to recruit, retain and reward the best and brightest educators. A big piece of doing that is paying good teachers well. One of our goals in Tennessee is to not only be the fastest improving state in academic achievement gains but to also be the fastest improving state in teacher compensation. Tonight, I am pleased to announce that the budget includes \$100 million for increasing teacher salaries. That amounts to a four percent pool that local education associations will have available as they make decisions on increasing teacher pay.

We are also including \$5 million in the budget to create the Educators' Liability Trust Fund to offer liability insurance to our teachers at no cost.

We will continue doing all we can to work with educators and support them as professionals who are shaping the future of our children and our state.

In this year's budget, we have \$300 million in new revenue to work with and \$500 million in cost increases, primarily for education and health care increases. That's why we have to try different approaches that will help us keep costs down while increasing quality and outcomes in health care.

Obviously, those increases have necessitated \$200 million in cost reductions in other places. The cost reductions that we make are painful and involve hard choices but without making those hard choices in the budget, we simply could not keep producing a balanced budget every year. Since we've been in office, we have redirected more than \$450 million so that we can keep funding our state's needs while we are balancing our budget.

The reality is that's not going to change. We are going to have to continue to look for ways to cut costs and reallocate resources. One of the things that we like the best about Tennessee is our low tax structure, but that also means that we have limited revenues to fund the programs and services that Tennessee taxpayers rely on.

That's why we've worked to better manage our real estate and office space that results in real savings. That's why we're taking the next step to reduce energy costs and consumption across our departments through our Empower Tennessee program. That's why we work to maintain the low debt that we have as a state. By the way, continuing to pay off our debt this year means that we'll spend \$13 million less this year on interest than we did last year.

And, we're going to make certain that we're prepared for the future by continuing to strengthen our Rainy Day Fund. This year we will add \$36.5 million to bring the total to \$528 million.

After presenting our budget last year, there was a sharp decline in revenue collections, and we weren't able to do some of the things we initially proposed in the budget.

Most of the drop was in our business tax collections. We've spent a lot of time working internally and with outside experts to analyze what happened.

Some of it is a result of the natural volatility of business taxes in general. Some of it was due to over collections in which reimbursements weren't accounted for in the budgeting process. And some of it is that companies outside of Tennessee, but that do business in Tennessee, aren't always required to pay the same taxes that our in state and homegrown companies do.

Through the analysis, we found that Tennessee has fallen behind other states in protecting our in state businesses from unfair competition from out of state companies.

To remedy that, we will file the Revenue Modernization Act, which aims to level the playing field in terms of sales tax and business taxes.

The bill also capitalizes on trends that we're seeing in product distribution by creating an incentive for companies to use Tennessee's distribution industry, which maximizes our state's strengths.

We are committed to Tennessee remaining a low tax state. This proposal simply brings us in line to better compete with other states and to not put our in state businesses at a disadvantage, which we are doing today.

I understand, for all of us, there is a lot of work, demand and pressure that comes with being an elected official, but there is also something really special about serving our fellow Tennesseans.

As I look back on the past four years, it is pretty incredible all that we have gotten done in working together. In looking back, I also see how fast time goes by. That's why we're not letting up on the throttle these next four years. We have to go full speed ahead because there is still a lot of work to do.

After the Insure Tennessee vote last week, there has been a lot of speculation about what happened. Some people have asked me if it was a waste of time and if I regret bringing the proposal. The answer is no to both.

To me the work we do here shouldn't just be about winning or losing. That's what's wrong with Washington. Every issue is cast in terms of political wins and losses. It should be about getting to the right answer, serving the people of Tennessee, and doing our part to make lives better.

Last week, I talked about coming here not just to make a point but to make a difference. It's about looking for answers not just having an agenda. With great power comes great responsibility.

I was in Washington weekend before last for a series of dinners and events. There were a lot of people who are currently in power and more than a few who used to be in power and have moved off of the stage. Some of those who are no longer on the stage wished mightily that they could be back on it. Others were content to have played their role at their particular time. Regardless, it reminded me that we all have a shelf life. At some point, it will be our turn to move off of this stage and to move on from here. When that time comes, let's be able to look back knowing that while we had the high privilege of serving here, we did everything we could to make Tennessee an even better place to live, work, and raise a family.

Until that time comes, let's keep moving full speed ahead.

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