

State of the State Address of Tennessee Gov. Bill Haslam
“Believing in Better for Tennessee”
January 30, 2012

Lieutenant Governor Ramsey, Speaker Harwell, Speaker Pro Tem Watson, Speaker Pro Tem Matheny, Members of the 107th General Assembly, Justices, Constitutional Officers, friends, guests, fellow Tennesseans and my favorite First Lady ever, Crissy:

It is my responsibility tonight to report to you about the state of our state. As I do that, I want to begin by telling you again how honored I am to serve as your governor. In the little over a year that I have been in office, I've been reminded time and again about the incredible state we live in and the inspiring people who call Tennessee home. I have hope for Tennessee because I have confidence in Tennesseans.

Whether it is visiting with families after last spring's deadly tornados, sitting down with teachers for breakfast, or spending time with Tennessee guardsmen and women in Iraq and Afghanistan, I've been struck by the fact that Tennesseans from all walks of life are so willing to give of themselves to create a better state for our children and grandchildren.

So, what is the state of our state? Well, in many ways we are doing great. We are a state with low debt and low taxes. We have a history of fiscal responsibility, and I am proud that in working together, we are carrying on that commitment to our taxpayers. The economy is improving, and we added an impressive number of new jobs last year. The unemployment rate is the lowest it has been since 2008, and across the country, Tennessee is being recognized as a leader in education reform. But yet, all of us realize that we have serious issues to deal with.

Unemployment is still too high, and we are consistently only in the mid-40s when states are ranked for educational achievement. I don't think any of us should be satisfied. So I stand here tonight and ask you: Is the current state of our state good enough? I think the answer is no. I think we can believe in better. We can believe in better for how state government serves Tennesseans. We can believe in better when it comes to the education of our children. And we can believe in better when we talk about a stronger, healthier economy for our state.

When we talk about believing in better, where should we start? I think we should start by looking in the mirror. I think we start with reminding ourselves of our purpose as a state government. It is my conviction that we exist to provide services for citizens that they can't purchase themselves. Our job is to provide those services at the lowest possible price. The price, that's the taxes we pay.

At the end of the day, I think that's what people want their state government to do – provide the very best services for the very lowest price. They want a state government that is accountable and spends their tax dollars as carefully as they spend their own dollars. But that's the problem, isn't it? It is very hard for folks to spend other people's money as carefully as they spend their own. Even worse, it is easy for those of us in government to begin to think that the tax dollars

are ours. It is here that it is best for all of us to remember what Mark Twain said about the tax payers' dollars: "It's tainted. 'Taint yours and 'taint mine."

In government, Tennesseans expect us to talk about results. It is our responsibility to identify a problem, take politics out of the equation and then find a solution. I think people are so frustrated with Washington today because when problems are identified, politics are always put into the equation, and there never seems to be any real effort to find a solution.

Even when we disagree, in Tennessee, we come together to move forward. A quick check of some of our sister states – and Washington – shows that not everyone is blessed with this common sense. Here we do things differently.

In Tennessee, we've been able to accomplish a lot in a short amount of time. Last year, we focused on a limited number of important issues to make a meaningful difference and impact. We made some significant reforms to make our legal system more predictable, which will encourage employers to invest in new employees. We reformed tenure laws to prioritize results for our children, and we expanded charter school opportunities for students and parents. We also made the lottery scholarships available to students for summer school to encourage them to finish school faster and to help universities use their campuses year round.

In 2011, there were more than 28,000 new Tennessee jobs created and over \$4 billion dollars in capital investment. Our Jobs4TN plan is working. We continue to focus on regionalism, existing businesses and key clusters, but make no mistake, that does not mean we're taking our foot off the gas in pursuing new businesses for Tennessee.

I appreciate how well we have worked together on job creation. A good example is Amazon. I am proud that we worked with Amazon to expand the company's presence in Tennessee to include, in addition to Hamilton and Bradley, Wilson and Rutherford counties too, creating thousands of jobs. And through that process we were able to reach an agreement with the company that gives certainty to them and us moving forward. We need your help in passing the legislation this session to solidify that agreement.

As I said earlier, our role in state government is to provide services that Tennesseans aren't able to get on their own – we build roads, offer higher education options, guard prisoners, help families adopt children, care for the mentally ill, patrol highways, serve veterans, and perform hundreds of other services.

My job as governor is to make sure we are providing those services in a customer-focused and effective way. Whether it's in business, government or sports, the team with the best players wins. Unfortunately, in Tennessee state government (excluding the legislature and judiciary), the rules don't allow us to go out and recruit great players. So we are like a college football team that can't recruit. We can only take players that come to us, and then we decide who plays based on who has been on the team the longest, not necessarily who the best players are. So whether you cheer for the Tigers (the Memphis, Tennessee State or Sewanee variety), the Skyhawks, Blue Raiders, Commodores, Governors, Vols or Mocs, I don't think you'd be very excited about the season if your team followed that plan.

You've heard me say it in the past, but it bears repeating tonight, we have to transform the way we do government. With limited state and federal dollars to work with, Tennesseans expect us to do more with less. To do that, we must be able to recruit, retain and reward the best and brightest employees so we can give the type of service our citizens deserve. That is why I've introduced the TEAM Act, which stands for Tennessee Excellence, Accountability and Management Act.

In the next five years, almost 40 percent of our state employees will become eligible for retirement. As we embark on the challenge to recruit top talent to serve in state government, we face a hiring system that's broken.

This past fall, Deputy to the Governor Claude Ramsey and Human Resources Commissioner Rebecca Hunter hosted listening sessions across the state to hear from state employees about a number of issues related to recruiting, hiring, managing and retaining talent. The participants represented different agencies, had different job titles and responsibilities, differing lengths of state service, and came from both executive service and civil service perspectives.

And what we heard from them is what you're hearing from me – our employment system is broken. Let me be clear, this is not an indictment of our workforce. I've visited with employees in all of our 22 departments over the past year, and I have seen firsthand many dedicated, hardworking, and impressive people.

This is about an antiquated system that limits who we can hire and limits growth opportunities for current employees.

Nobody else hires this way in Tennessee except for the Executive Branch of state government. The legislative or judiciary branches don't face these restrictions. Businesses certainly don't. Every time a citizen interacts with state government, it should be a customer-friendly experience with an impressive state employee. I get a lot of feedback from across the state of employees who go over and above the call of duty.

1. For example, there is Maria Stivers. She joined state government in 2007 as a firefighter with the Tennessee Air National Guard at McGhee Tyson and now works in Memphis. She has voluntarily deployed twice as an Air National Guardsman to Iraq and Kuwait. Maria, thank you for being here tonight and for your commitment to our state and our country.
2. And there is Johnny Cosby, a correctional officer at the Lois DeBerry Special Needs Facility in Nashville. He was recently appointed to the department's first "Tactical Rapid Response Team," which handles emergency situations. Officer Cosby, thank you for being here this evening and for the work that you do.
3. There is also Trooper Dwayne Stanford. Last September, while making a routine traffic stop, he was shot in the chest. Thanks to his remarkable ability to focus, his

experience and training, and his bullet-proof vest, he survived. Trooper Stanford, we're grateful you're here tonight, and thank you for putting yourself in harm's way to serve our state.

4. A 30-year employee of Mental Health, Doris Prewitt is a counselor at the Western Mental Health Institute in Bolivar. She is described as strong and compassionate with impeccable character, and as someone who approaches her work not as a job but as a calling. Doris, thank you for what you do to support some of our most vulnerable citizens and for being here this evening.

These are just a few examples of the thousands of outstanding employees across the state in all of our departments. These are the kind of people we want to make sure we are hiring as we look at a lean and efficient state government of the future. We understand that we are expected to do more with less, and we need the best and brightest to tackle complex issues for the people of Tennessee.

Another challenge of our employment system is the convoluted process of managing our workforce. Currently, when the decision is made to eliminate a career service position, it's difficult to know the eventual outcome of that decision because of a complicated process called "bumping."

Here is how it works...a commissioner makes the management decision that a particular position in Davidson County is no longer needed. Let's say the employee in that position has 10 years of service. That employee is eligible to "bump" another employee in a similar job, maybe even in Wilson County, who has nine years and 11 months of service, and that bumping chain can go on and on, which is a disservice to our managers and employees. Never once is performance a part of the decision about who keeps their job.

No one can convince me that this is the best way to manage our employees and serve our customers. Frankly, I believe it is just plain wrong.

It is important to note that our legislation preserves a streamlined appeals process for these state employees. The bill also includes a mediation program. We understand the value of employees being heard when they have differences with their managers. Joining us tonight are all 22 of our commissioners. I am very grateful for their hard work on behalf of the State of Tennessee. I think it's worthy of mention that all 22 of them – coming from diverse backgrounds and having a wide variety of responsibilities – have said that the most critical thing that we can do to make state government operate more effectively is to address our employment system.

Last year we faced a tough budget when we had \$1 billion less to work with than the prior year. But you, the House and Senate members in this chamber tonight, came together with a responsible, realistic approach and made the tough decisions that were necessary and passed the budget unanimously. We do have some good news this year: revenue collections continue to be encouraging. For 16 consecutive months, we've seen total tax collections come in stronger than projected over the previous year. Our challenge lies in the fact that although growing, revenue

collections are only just now recovering to levels of 2007, before the recession. Our current budget also included \$160 million in funding that was slated to go away. And although revenues are growing, the cost to fund program and inflationary growth for areas such as TennCare, the Basic Education Program (BEP), and employee benefits consumes a large portion of our revenue growth each year.

Our budget this year reflects those economic realities. It includes strategic investments in our priorities, savings for the future, and reductions, sometimes painful, to balance the budget. I'm pleased to say that thanks to the hard work of our employees, last year's expenses ended up nearly \$20 million below budget, which obviously means considerable savings for our taxpayers. Our commissioners have been serious about working in each of their departments to identify areas where we can save money. That kind of responsible government allows us to fund our strategic priorities while still keeping taxes low.

Compensation is a key issue in state government, just like everywhere else. Last year, I was pleased that we could provide a 1.6 percent pay raise to state employees who had gone several years without a raise. I am proposing a 2.5 percent pay raise in this year's budget. However, I also think we need to do a true salary survey, comparing our state salaries to those in the private market and to federal and local government salaries. This budget includes the money to fund the salary survey and includes funding to be set aside as a first step toward addressing any major salary discrepancies that might arise as a result of the survey.

Budgets should be a reflection of your priorities, and this budget is no different. We are asking for continued support of the FastTrack grant program in the amount of \$70 million – some of which would be available this year – to provide incentives for Tennessee to compete in a very fast-paced global economy. We are also continuing our commitment to the West Tennessee Megasite by including \$25 million in this year's budget. This site is the only megasite still left in the state's inventory, and it is critical that we finish the infrastructure so that it can be a prime location for major employers who are looking for a great place to locate.

While many states have cut funding for K-12 education in the last several years due to the recession, Tennessee has not done that. We are not only *not* cutting the education budget, we are continuing to fund the cost increases for the BEP.

Higher education must be another priority for the State of Tennessee. While college is not for everyone, it must be for more Tennesseans in the future than it has been in the past. When 21 percent of our population has a degree, compared to a national average of 30 percent, and over half of the new jobs being created over the next decade will require degrees, encouraging more Tennesseans to aspire to higher education is one of our key roles as leaders of the state. For most of the past two decades, higher education has received less funding for their operating budget. That changes this year. Higher education's operating budgets will have increased funding. In addition, we are increasing the amount of money available in need-based scholarships. We simply have to keep tuition increases in Tennessee to a minimum so that we can encourage more access to more students.

Access is critical to a successful education program. Let me speak plainly, for the last several years we have not been funding higher education's capital plans to the degrees necessary to meet growing student demand. We need more space to train students in science, technology, engineering, and math – critical subjects in which we must provide more trained graduates.

This budget will finally provide the state's funding for the long-overdue science building at MTSU, the science laboratory facilities at the University of Tennessee-Knoxville, a new patient diagnostic center at the University of Tennessee Health Science Center in Memphis, as well as the planning money for new buildings at Nashville State Community College and Northeast State Community College, the University of Memphis, and the University of Tennessee-Chattanooga.

As many of you will remember, the budget two years ago included cuts to critical services as a result of the economic downturn. The state was able to delay those cuts by funding them with one-time money. However, \$160 million of those cuts were slated to go in effect this year. It included many critical programs for our state like the Coordinated School Health Program, extended teacher contracts, alcohol and abuse treatment programs, childcare benefits, juvenile justice Grants, diabetes prevention, and matching dollars for 401(k) programs for state employees. I am proud to say that this budget restores over \$100 million of those cuts to protect vital services for our citizens.

Finally, any good budget in tough times is a balance of strategic cuts and reinvestments while making certain that we are keeping taxes as low as possible. As you all know, I am proposing to raise the exemption level on the estate tax in Tennessee. This year's budget would raise the exemption from \$1 million to \$1.25 million, with a goal of reaching the federal exemption level of \$5 million while I am governor. I am convinced that our current estate tax is chasing people and capital out of our state and discourages people who don't live here from investing here. Quite simply, the only way new jobs get created is when people are willing to invest capital. At a time like this, when the economy is still struggling to rebound, I want to do everything I can to encourage people to invest their capital in Tennessee. We've done that by making our legal system more predictable, reviewing state rules and regulations, and focusing on strengthening our attractive business climate.

Likewise, many of you have long expressed a desire to decrease the tax on groceries in Tennessee. This budget proposes to do just that: taking the state portion of the sales tax on groceries from 5.5 percent to 5 percent over the next three years.

We are also putting \$50 million into the Rainy Day Fund this year, which brings it up to \$356 million. While it is important to return taxpayer dollars to taxpayers every chance we get, we've also seen the importance of a healthy Rainy Day Fund to pay for critical services during difficult times. I will continue to make it a priority to build our reserves steadily while I'm in office.

Our budget also reflects the process of each department spending the last year going through a top to bottom review. You may remember at the outset of our administration, I asked each commissioner to evaluate his or her agency as if starting from scratch. If you were beginning state government all over again, would your department look the same?

The work on these reviews was extensive. For example, Children's Services sought input from more than 4,000 people including staff, stakeholders and focus groups, which resulted in 11,000 comments. The commissioner and deputy commissioner of Human Services talked with more than 600 employees across all divisions.

As a result, departments identified millions of dollars in savings from restructuring their organizations, and we expect additional savings as implementation occurs.

Several departments found through the process a cost advantage to eliminating outside consultants. For example, TDOT is looking at saving money by filling some full-time positions with state employees instead of using consultants in several areas.

And last year you may remember me talking about focusing on our driver license centers. Safety has standardized hours of operations across the state, and we'll have self-service kiosks in all three grand divisions by summer with a total of 40 kiosks to be rolled out in total.

Our final report on the top-to-bottom review process will be available at the end of February and will outline what each department is in the process of doing or will be doing to implement their plans.

We also applied the top-to-bottom review process to the 200-plus boards and commissions in state government by thoughtfully reviewing their history, mission and cost to make sure in 2012 they are fulfilling the purpose they were originally intended to when they were created. As a result, we have proposed several changes.

We're recommending the Tennessee Regulatory Authority's board be changed from four full-time members to five part-time members with a full-time executive director. We believe this new structure will be more efficient and effective and will attract highly-qualified and experienced candidates.

We're also recommending that some executive directors of agencies report directly to the governor. For example, I believe the Tennessee Higher Education Commission should have a more direct tie to the Governor's Office. THEC functions as a policy arm for higher education issues, and like the policy chief for K-12 education reports to the governor, it makes sense that higher education should have a similar structure.

We're also recommending consolidating and streamlining several agencies to limit overlapping of functions.

One of these proposals is also part of our public safety action plan. We've proposed moving parole oversight from the Board of Probation and Parole to the Department of Correction to provide for a more seamless process.

A national report ranks Tennessee 4th in the nation for violent crimes. I am proud that 11 state agencies joined together to create a plan that I believe will change this trend. They're working to

implement a multi-year strategy that includes prescription drug abuse legislation aimed at improving the current database to make it easier to identify abusers.

Tennessee ranks second in the country – behind only West Virginia – in prescription drug use. Tennesseans average 17 prescriptions a year vs. the national average of nearly 12. And emergency room visits for prescription drug overdoses now equal the number of visits for illegal and over-the-counter drugs in Tennessee.

We're also recommending placing more non-violent drug addicts into drug court treatment programs. This will better serve those offenders by focusing specifically on their addiction. It also saves the state money because the Department of Correction pays \$35 a day for the care of an offender in drug court and \$65 per day for that same person to be in prison.

We're proposing tougher sentences for certain types of gang-related crimes and tougher sentences for gun possession by those with prior violent felony convictions.

And we're calling for mandatory incarceration time for repeat domestic violence offenders. Too many times repeat offenders aren't facing any consequences under our current laws. In 2010, domestic violence offenses made up more than half of all reported crimes against Tennesseans, and according to an annual study by the Violence Policy Center, the rate of women killed by men in Tennessee is the 5th highest in the nation.

Keeping our citizens safe is a fundamental responsibility of state government, but public safety also plays a significant role in assuring that Tennessee continues to be an attractive place for businesses to locate and grow. Many of us in this chamber spent a lot of time focused on job growth in Tennessee this past year. I traveled across the state visiting with employees and businesses leaders, hosted groups at the Capitol and Governor's Residence, and called on companies outside of Tennessee for in-depth discussions about our strengths and weaknesses as a place to locate jobs.

After hundreds of conversations with businesses, large and small, companies that are located here and those that we wish would locate here, I am convinced of this: Tennessee can compete with anyone when it comes to attracting jobs. The work environment, quality of life, low tax burden, and committed workers make this a great place to do business. But there was, and is, one consistent problem that I hear from current and potential employers. There is a concern about the depth and breadth of employees with specific skills.

If we are going to be a state that attracts companies to locate and grow here; a state that keeps its best and brightest graduates here with good-paying, high-quality jobs for them here, there is nothing more important we can do than to focus on education.

When a plant manager in Jackson hires workers from Kentucky, and when a Chattanooga manufacturer imports workers from Georgia because both say they can't find Tennessee graduates with strong enough skills in math and science, that is unacceptable. These are our jobs, for our graduates, and we have to get them back. We have to believe in better for our children.

As we all know, there has been a lot of discussion over the past year about the politics of education. Accusations have gone back and forth and fingers have been pointed about who really cares about students and who really cares about teachers. Tonight, I ask all of us to set those distractions aside and to focus on those things that we all know to be true.

First, the world has changed, and we must raise our expectations for our students, our teachers, our administrators, our parents, and yes, ourselves as leaders as well. Second, after decades of lagging behind the rest of the country when it came to education results, Tennessee is on the right path in education. We got on that path through a historic, bi-partisan commitment that led to Tennessee winning the Race to the Top funding. We've made a commitment to raising our standards with a new core curriculum and asking our institutions of higher education to focus on graduating students through the Complete College Program. We are doing this hard work because we all believe in better for our students.

I am highly confident that Tennessee will be one of the first states to receive a waiver from the federal government's No Child Left Behind law. Under the outdated federal rules, tens of thousands of hard-working teachers have been going to work every day, often leading their students to significant improvement, only to be told that their schools were failures. That is wrong, and with this waiver, we can build a Tennessee accountability system that measures growth and improvement and gives every school a chance to succeed by doing better each year. Virtually every state wants a waiver from No Child Left Behind. But make no mistake; we expect that Tennessee will be one of the first states to receive this waiver because we are already taking on the hard work of education reform.

We must continue to build on our momentum to make our schools better. We can't put off until tomorrow what we should be doing today – using data to measure student performance. And I believe if we're willing to evaluate 10-year-olds, which we've been doing since we started sending home report cards, then there is not one good reason that all adults shouldn't be evaluated too, and there is no good reason to wait. It is important, of course, that we keep working to make our evaluation process better. The State Collaborative on Reforming Education (SCORE) will be spending the year talking to teachers and principals statewide to evaluate our evaluation system, and after gathering and analyzing that information, there may be changes that need to be made, but we can't slow up the tremendous progress this state has made in recent years. There is too much at stake for our kids and for our economy.

You know, there is something deeply concerning that is changing in our country right now. Today, 70 percent of Americans would say that their lives and economic prospects have been better than their parents, but only 33 percent of us believe that will be true for our children. The American dream is at stake. When people are asked who they attribute the blame to, the answer is not big business, or unions, or educators. The answer is government. The truth is that Americans haven't lost faith in America; they've lost faith in those who lead it. We don't need to be like Washington. We can believe in better for Tennessee.

All of us ran for election and worked to be here because we wanted to make a difference. I think we have the chance to do that in Tennessee – to move Tennessee forward. I think Tennessee can be a place where we're about results and not about rhetoric.

So here are my final two promises to you: First, I promise to be relentless when it comes to providing the very best service to our taxpayers for the very lowest price. They deserve it. Second, on issue or policy, our administration will always work to get to the right answer, not just our own answer.

So many people today are working hard, but they're worried about their future and the future of our country. We owe it to them to get it right. Let's not waste this chance to get it right for Tennesseans for today, for next year, and for many years to come. As I stand before you this evening, I challenge all of us to believe in better. As the elected leaders of this great state, it is what Tennesseans expect from us, and we owe it to them. Working together, we are going to achieve better for Tennessee.

Thank you very much.