



*State of the State and Budget Address
The Honorable Brad Little
Governor of Idaho*

January 7, 2019

Mr. Speaker, Mr. Pro Tem, Madam President, honored legislators, my fellow constitutional officers, Mr. Chief Justice and members of the judiciary, my family, friends, and my fellow Idahoans.

Before I begin, let me acknowledge our new First Lady, Teresa, and our family – Adam and Angela, and David and Kelsey. A friend of mine refers to his wife as gravity, for her ability to keep him grounded. Teresa serves that purpose for me as well as the whole state of Idaho.

It is humbling to address you as Idaho's 33rd Governor. I'm used to a slightly different vantage point during this speech. I was here more than 42 years ago as a legislative intern.

Legislators – I look forward to working with you to achieve our shared vision of making Idaho the best possible place to live for this generation and future generations of Idahoans.

I stand on the shoulders of great men and women who have mentored me along my way. Many are in this room today. Thank you for guidance and support.

As Idaho's new commander-in-chief, I want to thank the men and women serving in the Idaho National Guard. Last summer, our Idaho Army Guard deployed three Blackhawk MEDEVAC helicopters and their crews to Afghanistan. Godspeed, and I look forward to welcoming them home this spring.

Please join me in thanking Adjutant General Mike Garshak, all members of the Guard, and Idaho's veterans – past and present – for their service to our nation.

Let me say something about my predecessor and partner these past 10 years. Governor Butch Otter led Idaho during a challenging time in our history, facing down the worst recession in 70 years. Now, Idaho is the fastest growing state in the country. Let us honor his legacy by keeping our budget balanced while investing in the future. Thank you for your service, Governor Otter.

I stand here today not to reminisce about Idaho's past, but to look to our future.

As Governor, I will seek to reflect our shared Idaho values and aspirations.

This means making decisions through one lens: the lens of ensuring the best possible opportunities for us, our children and grandchildren to remain in Idaho and enjoy our unparalleled quality of life.

Making decisions with a long-term perspective means staying focused on creating a regulatory and tax environment where Idahoans can get good-paying jobs.

It means having world-class schools.

It means delivering accessible and affordable healthcare.

It means giving citizens a reason to be confident in state government, by making government responsive, transparent, and accountable.

My team of agency directors and administrators is mostly in place. A requirement for each of them is a commitment to implementing our shared vision of creating the best possible opportunities for Idahoans to prosper. I'm humbled by their willingness to serve Idaho. I'd like them to stand and be recognized.

From Boundary to Bear Lake counties, and Letha to Leadore, I can tell you with confidence—the state of our state is strong.

Idahoans' incomes are the fastest growing in America. We have the highest number of people employed in our state's history.

Due to the good work of the folks in this room, Idaho remains a model for fiscal responsibility.

There is no shortage of success stories that reflect the strength of our state's economy.

Woodgrain Millworks, a Fruitland-based family-owned company operates sawmills and manufactures doors and windows. Under Kelly Dame, the company recently expanded in Nampa. They acquired and modernized the old sawmill in Emmett, assisting in our efforts for forest health.

The Dame sons— Brooks, Taylor, and Tanner— created Proof Eyewear. They took a small company they started in their garage and now sell wooden sunglasses in more than 20 countries. The family typifies the entrepreneurial spirit that thrives in Idaho.

In Idaho Falls, Brad LaPray founded BiologiQ to create a useful plastic from the excess starch produced during potato processing. BiologiQ has grown from a simple concept into an industry-leading, sustainable bioplastics provider. It is another example of an innovative Idaho company using waste and turning it into a thriving business.

In Coeur d'Alene, Cody Peterson and Andy Huska founded Rohinni, a homegrown micro-LED manufacturer that's become a leading technology company. They design robots that install lots of tiny LED lights on everyday electronic gear. Their business is diversifying Idaho's economy, adding to our growing tech sector, and providing high-wage careers.

In Arco, Dragon Fly Tarps manufactures custom tarps for the outdoor industry. The company just moved from the local business incubation center and continues to grow.

These companies and many others across Idaho ultimately offer our kids more opportunities to stay home or come back to Idaho.

Our state is on an incredible trajectory. With your help, I intend to lead us to the next level.

Making decisions with a long-term perspective means state government is fiscally sound and invests taxpayer dollars wisely.

Last year, we delivered one of the largest tax cuts in state history. As a result, state income and business tax rates are the lowest since 1934. Idahoans are enjoying bigger paychecks.

Even though sales tax and corporate tax revenues have been robust, our personal income tax receipts are falling short. The federal tax code changed recently, but few Idahoans know they need to update their tax withholdings. I am ordering the Tax Commission to do all they can to better inform taxpayers of what they need to do to avoid a surprise income tax bill.

My team is following this issue closely, confident revenues will eventually match the rapid pace of economic growth. Though we are confident, in true Idaho fashion, we will not spend money until it's in the bank.

My budget recommendation will balance our books and fulfill important promises.

I propose working together with you to set the stage next year – using our budget surplus – to eliminate the grocery tax once and for all.

Additionally, any new tax exemption should be tied to a proportional reduction in state spending or real income generation.

As a conservative, I will utilize all other mechanisms to ensure our state remains fiscally sound over the long-term.

It is prudent to live by the advice of Speaker Bedke's grandfather: It won't be the bad years that put you out of business; it's what you did in the good years that sets you up for failure or success.

As we review our state budget—we must ask key questions:

Is there too much spending on autopilot? Are we putting off maintenance that will cost our children more tomorrow? Do we have adequate rainy-day funds? How do we structure the surplus eliminator?

These measures and my proposed budget ensure we avoid the short-term fiscal mistakes that other states and the federal government continue to make.

Let's talk about my number-one priority for our state budget: education.

Education policy requires long-term planning and commitment.

These past four years, with the hard work of stakeholders and many legislators in this room, Idaho has a successful record of responsible investment in education. We have increased the budget for our schools by 32 percent. This past year, Idaho teachers received one of the nation's largest year-to-year pay increases.

As Governor, I will continue our momentum and be an unrelenting advocate for educational excellence in our state.

To amplify the voices of those on the front lines of education, I will create a Children's Cabinet to advise me throughout my term on a variety of education issues. My Children's Cabinet will consist of traditional education stakeholders, parents, and groups across our state dedicated to advocating for children.

Our Task Force on Public Education and its five-year plan has been the envy of other states. It has been the force behind an unprecedented, sustained effort to improve Idaho education.

My budget recommendation implements the fifth year of the task force recommendations. This investment puts in place the next phase of increased teacher salaries. I'm also recommending an increase to the popular Advanced Opportunity program, which saves Idaho families in tuition costs and provides stepping stones for students wanting to go-on to post-secondary opportunities that best suit them.

Now that we've agreed on a new Idaho Reading Indicator, I want to boost our efforts for literacy.

My budget recommendation proposes that we double literacy program funding to \$26 million.

The school districts will decide the best ways to use the funds to raise reading scores among their students. They will choose from a variety of proven intervention methods such as full-day kindergarten, reading coaches, and summer reading programs. The variety of methods recognizes no one kid is the same and that Boise may not have the solution for what works in Bonners Ferry or Blackfoot.

Our goal must be to ensure all kids begin at the same starting line in life. By the third grade, our students must learn to read so they can read to learn.

Our state still has many challenges when it comes to recruiting teachers.

In addition to supporting the next phase of teacher salary increases, my budget recommendation fulfills my promise to raise starting teacher pay to \$40,000 a year.

As we reward our educators we expect school districts to continue working with us on reporting measurements that Idahoans need to validate increased education investments.

We are proud of these efforts but there is still more to do.

Drawing on the successful model we've been using, I invite you to join me in creating an initiative I'm calling *Our Kids, Idaho's Future*. The charge of this broad-based task force will be to look at our education system holistically and prioritize where we should invest the next available dollar.

This initiative will provide Idaho's next five-year blueprint for education investment and reform.

I will continue to focus on increasing Idaho's go-on rates and accomplishing our goal of having 60-percent of our 25- to 34-year olds with a completed degree or a professional certificate. To do that, we must expand career technical opportunities.

Further, my budget recommendation increases funding for Opportunity Scholarship applicants, providing a market-based approach to higher education funding, with money following the students and allowing them to choose the institution and degree that best fits their needs.

In my work on economic development, I know there's a strong correlation between our education system and the attractiveness of our state to entrepreneurs and businesses.

Most importantly, a strong education system helps ensure we keep our best and brightest here in Idaho.

From the roads you drive to take your children to school to the hunting licenses you purchase, like it or not, the state has a monopoly on many services citizens cannot provide themselves. With this role, comes responsibility and accountability to Idahoans.

As your Governor, I pledge to champion citizen confidence in state government.

I've been frustrated with the major shortcomings in customer service at the Division of Motor Vehicles. The issues stem from contracting procedures. I have asked my new director at the Department of Administration to identify critical lessons from the DMV situation and provide a thorough review of our state purchasing and contract administration processes. Idahoans deserve an action plan for better results from government.

State government has a duty to protect the data citizens entrust to us. I chaired the Cybersecurity Task Force three years ago and we have made progress on this important issue.

Following these efforts, my budget recommendation lays out a plan for IT and cybersecurity modernization. This effort will significantly reduce our cyber vulnerability and provide long-term savings with the ultimate goals of protecting citizens' data and building public confidence.

There are other areas where we must maintain the trust of Idahoans.

On election day over 60% of voters approved Medicaid expansion. For months I made it clear I would honor the will of the people. I intend to work with you to implement Medicaid expansion using an Idaho approach.

We need spring in our safety net so that there are multiple pathways for the gap population to move off Medicaid and onto private coverage.

While making health care available to low-income individuals we should also do what we can to make affordable, accessible, quality health care available to all Idahoans.

An unintended outcome of the Affordable Care Act is that too many people are priced out of health insurance coverage. In the past two years, the number of uninsured Idahoans increased by 125,000 – almost double the gap population. As Idaho continues to enjoy the fastest-growing economy in the nation, the number of insured Idahoans should be increasing not decreasing.

We must pursue strategies that contain health care costs.

That's why I joined with Governor Otter last year in issuing an executive order on state-based individual market health plans. As Governor I will continue these efforts. These health care plans are comprehensive and provide our citizens more affordable choices.

The fact is we have a proven track record of delivering Idaho solutions on health care. When Idaho opted for a state-run health insurance exchange, we created an Idaho solution instead of adopting a federal one-size-fits-all mandate.

Your Health Idaho has since been recognized as one of the best exchanges in the country.

I intend to continue developing Idaho solutions that bring health care costs down for all Idahoans. I have met with federal partners to pursue alternatives for affordable health care plans.

I will fight for state flexibility and state control to develop Idaho solutions for Idaho families.

Public safety is one of the pillars of state government. Idahoans enjoy a high quality of life in part because we live in one of the safest states in the nation.

We must hold those who violate our laws accountable, but we also must invest in changing their behavior, so our communities will be safer once offenders pay their debt to society.

My budget recommendation takes on this challenge in a way that provides not only an increase in our prison capacity but also the resources needed to reduce the flow of inmates to our prisons. This will be done by expanding the St. Anthony Work Camp in eastern Idaho and opening a community reentry center in northern Idaho.

In addition to providing timely relief to Idaho's overcrowded prisons, these combined 220 beds focus specifically on helping those in custody acquire critical skills to successfully transition back into society after release.

Former offenders cannot be successful after reentry and on parole if we don't have the necessary bed space and programs – such as drug courts – to halt the revolving door.

Help for substance abuse is often only available once a person becomes an offender. There is a clear nexus between mental health and substance abuse. We must intervene in these areas prior to individuals entering our criminal justice system.

Communities across Idaho face the scourge of opioid addiction and other substance abuse problems. Fortunately, there is a solid foundation of work on this issue. Two years ago, the Idaho Office of Drug Policy and the Department of Health and Welfare convened a stakeholder group that put together a strategic five-year action plan on tackling the issue of opioid addiction in Idaho.

We know the challenge is larger than just opioid addiction. Many problems that begin with opioids evolve into heroin and fentanyl.

Looking ahead, I will issue an executive order on substance abuse – formalizing this existing opioid plan, broadening these efforts, directing future resources, and creating non-offender programs for substance abuse.

This makes the most sense because treating addicts and those with mental health problems in prison is expensive and often too late.

As we seek ways to reduce health care costs and protect the public, we also must make sure state government is reducing all unnecessary barriers to prosperity.

One barrier is the daunting financial reality facing first-time homebuyers, particularly young people just starting their careers and families.

One specific proposal I will champion to help more Idahoans achieve the American Dream is the First-Time Home Buyer Savings Account. This account will encourage young families to set aside part of their pre-tax income to make a down payment on their first home.

Idaho is seeing unprecedented economic growth in many parts of the state. However, that growth has not been matched in all our communities. In my travels, I constantly hear how the absence of adequate broadband

infrastructure is a deterrent to growth and economic development. The Idaho Department of Commerce spent the past year analyzing the statewide challenge of inadequate broadband.

To ensure Idaho can adapt to the rapidly evolving digital world, we must actively work to improve Idaho's broadband access, pursuing all options to increase broadband connectivity. I will work with the Legislature to ensure both rural and urban Idaho are connected and well-positioned to attract and create maximum success.

I am also committed to knocking down other barriers to independence and prosperity. In May 2017, I issued the Licensing Freedom Act executive order.

Late last year, I finalized a report that outlined the scope of occupational licensing in Idaho and provided key recommendations. Working closely with the Legislature I intend to fulfill all recommendations from the Licensing Freedom Act – reducing regulatory burdens and improving customer service while protecting the public.

My first executive order as Governor will put in place two of those recommendations: sunrise and sunset processes for future occupational licensing laws.

To reduce overall regulatory burdens on our citizens and businesses, I will issue another executive order requiring state agencies to revoke two regulations for every new regulation they want to implement. This commitment to cutting red tape will ensure we are governing with the lightest possible hand.

Looking long-term, we must address transportation deficiencies. I ask you to join me in looking at these long-term needs – specifically, the safety of our roads and bridges and the necessary improvements to preserve our citizens' most precious commodity: their time. It is critical that we provide the needed road capacity to get our people and products to their destinations in the most efficient manner.

All these efforts will help Idaho remain a beacon for prosperity and opportunity in America.

Agriculture remains the backbone of Idaho's rural economy. As is often the case, agriculture is coping with the effects of significant challenges, from commodity prices to transportation and trade.

As they have for generations, progressive farmers and ranchers meet these challenges by increasing their production and efficiency. Idaho's wheat yield was up 15 percent and set a record this year. The barley yield is up 10 percent from last year, and alfalfa is up 19 percent. Idaho jumped Oregon to become the number two hop producing state in the nation. In the past 16 years, Idaho's dairy production has doubled.

Idaho remains a heavily trade-dependent state, with around \$2 billion in agricultural exports. When markets are open, agriculture makes the most of those opportunities. When markets are disrupted, we feel it.

The profitability of Idaho agriculture and its ability to compete nationally and internationally is dependent upon the time and cost of getting our products to consumers.

I look forward to working with you to increase rail access, address truck shortages, and reduce the burdens of federal regulations.

You all know water is Idaho's lifeblood, and we've made great strides in protecting it.

Under the leadership of the Water Resource Board, we have doubled our goal of refilling and replenishing our critically important Eastern Snake Plain Aquifer, adding more water this year than was removed. While this is an impressive accomplishment, this must be an ongoing effort.

Regardless of the water year, we must focus on expanding the water infrastructure across our state.

If water is Idaho's lifeblood, our public lands are surely one of our state's greatest assets. Idaho-based collaboration is key to addressing the many issues facing public lands. Together, we must responsibly manage and protect the special places that make Idaho unique. As Governor, I will work to expand access and tackle threats to our public lands.

This work will protect important industries for our economy. From motorized recreation, rafting, skiing, and hunting, to hiking, fishing, and camping, Idaho's outdoor recreation industry generates billions in consumer spending each year and supports 78,000 jobs across the state. Iconic companies like Smith Optics, Buck Knives, CLIF Bar, Vista Outdoor, and numerous guides and outfitters call our state home.

Idaho's lands and waterways provide unparalleled outdoor recreation opportunities, enhancing the quality of life for Idahoans and attracting visitors, which in turn power urban and rural economies across our state.

There are threats to our public lands that must be confronted.

Wildfire is a part of living in the West.

Several factors contribute to the increasing frequency of catastrophic wildfires. These fires threaten public safety and pump millions of tons of pollutants into the air, harming the health of our citizens. They damage wildlife habitat and contaminate our pristine waters. They disrupt our economy and cost taxpayers millions of dollars every year.

One of those threats is the buildup of fuels on our public lands closest to where we live, work, and play.

A few weeks ago, I signed a first-of-its-kind agreement between Idaho and the U.S. Department of Agriculture. This collaborative agreement will reduce wildfire risk, improve forest health and enhance wildlife habitat, by actively managing more acres of federal forests.

The new "shared stewardship" approach unifies land management activities that are now disjointed across federal, state, and privately-owned tracts. We'll use all the tools available to us to reduce fuels around communities, including timber harvest, prescribed burns, and other activities.

We're already seeing a return on our investment in the Good Neighbor Authority, a program that utilizes state employees and contracting processes for restoration work on federal lands.

Idaho is leading the country in our fresh, collaborative approach to land management. Other states have already reached out to Idaho for the Shared Stewardship blueprint we created with the Feds.

In addition, there are now over 300 ranchers and farmers who are members of nine rangeland fire protection associations across southern Idaho. The intel they provide on more than 9 million acres of Idaho's rangeland have given Idaho significantly improved chances against the devastation of large wildfires.

The Idaho National Laboratory (INL) is one of our state's largest employers. It is a national asset dedicated to our energy and security interests.

I have been impressed to see collaboration between the lab and our state's universities. Those enhanced ties will result in a more secure nation, a thriving laboratory, and strengthened university programs. Most importantly, it presents opportunities for our state's best and brightest students to work and raise their families right here in Idaho.

With that in mind, I am pleased to announce that I am authorizing the continuation of the Leadership in Nuclear Energy (LINE) Commission. The LINE Commission will remain dedicated to advising us so we can promote the advancement of nuclear energy and ensure the vitality of the INL.

There is an incredible opportunity for Idaho, its businesses, and its institutions of higher learning to lead our nation, and the globe in pushing the new frontiers of safe, clean nuclear energy development.

In addition to world class research, Idaho has one of the most affordable and sustainable energy supplies in America. It's clean, with a mix of hydroelectric, wind, and solar. This energy mix and low cost make Idaho competitive in attracting new industries.

I am intent on seizing this moment.

Through the free market and the innovations at the INL, Idaho will continue to expand opportunities for clean and affordable energy for our citizens and the world.

Idaho is ready to lead.

My friends, if we create an environment that brings about economic prosperity, if we continue to invest and modernize education, if we do what we can to make healthcare accessible and affordable, if we invest in our infrastructure, if we protect our natural resources, and if we assure citizen confidence in government, we will keep our best and brightest here in Idaho.

It is an honor to offer this State of the State to the interns, pages, young viewers, and our children and grandchildren. When they eventually occupy these seats here, in the People's House – if we do the job before us now – I am confident they will thank us in the decades to come.

Thank you and God bless Idaho.