

Gov. Branstad's 2017 Condition of the State Address, as prepared for delivery, is as follows:

Madam Lieutenant Governor

Mr. President

Madam Speaker

Legislative leaders, legislators, justices and judges, elected officials, distinguished guests, family, friends and fellow Iowans.

I'm honored and humbled to once again address a joint session of the General Assembly delivering the Condition of the State for the final time as your governor.

For 22 years, I have addressed this body as governor and today I want to especially welcome the 22 new legislators with us—from both sides of the aisle—who were elected in November.

Your constituents sent you to work hard, to work for them, and help make Iowa a better place.

I hope you are filled with the same sense of excitement and eagerness that I had when I first served in the Legislature in 1973.

Lt. Gov. Reynolds and I look forward to working with each of you and listening to your ideas on how to make our state an even better place for families to live, work and grow.

In that spirit, I am today extending an invitation to each legislator to meet with me personally during this legislative session.

We also gather again with shared sadness, returning to do our work without our friend, Sen. Joe Seng of Davenport.

Joe was a devout Catholic and a true statesman.

We enjoyed his contagious and positive personality and working with him.

As I look back on my years of public service, I am thankful for those Iowans who have stepped forward to serve their fellow citizens.

In particular, please join me in applauding those Iowans who have helped make our state and nation safer by serving in the military, law enforcement or as first responders.

Since taking office in 2011, we have made the necessary changes to strengthen our economy and improve the quality of life across our state.

We've made tough decisions to give Iowans a smaller and smarter government.

We have stayed the course with an unwavering commitment to create jobs, increase family incomes, reduce the size of government, and give Iowa students a globally competitive education.

We have provided significant tax relief for Iowans the past five years, especially for commercial property taxpayers.

And last month, Lt. Gov. Reynolds and leaders from the Economic Development Authority and Department of Transportation unveiled Iowa's most comprehensive Energy Plan.

The plan was developed after collaboration with the private sector, public sector, educators, non-profits and utilities.

Iowa is already a leader in low-cost and renewable energy.

The comprehensive new energy plan will help build on our past energy successes and reaffirms our commitment to maintaining Iowa's energy leadership in the future.

I'm proud that we have made government smaller and smarter.

We've seen unemployment in our state drop from 6.2 percent to 3.8 percent.

The state has helped attract more than 13 and a half billion in private-sector capital investment, which has translated into great-paying jobs across Iowa.

And more Iowans have been employed these past few years than at any other period in our state's history.

We have also made the tough decisions to ensure government lives within its means like Iowa families must do.

We have accomplished this with a relentless focus on fiscal discipline, demanding budget predictability, fully restoring Iowa's reserve accounts and reducing the state's debt liability.

Together we have made progress toward our goal of restoring Iowa's schools to best in the nation through a series of landmark reforms and innovative policies.

To improve Iowa's education standing, we needed to make sure our hardworking teachers had all the tools necessary to succeed given higher expectations for all students.

So, we created a new Teacher Leadership System that better utilizes the expertise of top teachers to improve education, instruction and foster greater collaboration.

I'm proud to say that every public school in Iowa today is participating in our Teacher Leadership System.

To ensure that our children are prepared for a 21st century economy we advanced a nationally recognized STEM initiative that gives students the confidence and skills for rewarding careers.

The STEM initiative is led by Lt. Gov. Kim Reynolds and Kemin Industries President & CEO Dr. Chris Nelson and has seen outstanding growth and success.

Sustaining these measures over time is critical to get the right results for our students and our state.

The ability of Iowans to overcome challenges bolsters my optimism for our state's future.

When faced with challenges, Iowans consistently seek opportunities.

Some of the challenges we have overcome--like the Farm Crisis of the 1980s--tore at the very fabric of our communities.

In the 1980s, Bloomfield, Ia.--a community in Davis County in southeast Iowa--struggled like many communities across the state.

An uninsured bank in Bloomfield closed in 1983 and caused great losses for area families and businesses.

And area farmers were straddled with debt and limited market opportunities for their crops.

However, through a persistent focus on economic diversification and an entrepreneurial spirit to rebuild its community, Bloomfield now has new manufacturers that are growing alongside innovative startups.

And, to continue their effort to stay on the cutting edge community leaders are instituting aggressive strategies to become Iowa's first energy independent community by 2030.

I visited Bloomfield last year and was impressed with the Main Street revitalization, a new hardware store and the M3 Fabrication manufacturing plant.

And Woodbine, Ia., is another example of a community that took its future into its own hands.

The community showed how an integrated approach to community revitalization that focuses on historic preservation and community sustainability can redefine a struggling, small rural community.

Woodbine also had a bank closure in the 1980s, but the community turned its challenges into future growth and diversification.

Lt. Gov. Reynolds and I visited Woodbine and were impressed with the success of their Main Street program.

And Waterloo, Ia., after experiencing economic challenges throughout the previous three decades embraced the challenge of reshaping its industrial heritage to succeed in modern times.

Cedar Valley Tech Works has made Waterloo a nationally recognized leader for manufacturing innovation.

And John Deere continues to be a leading manufacturer and innovator in Waterloo.

In the balcony, we have leaders from Bloomfield, Woodbine and Waterloo.

Please join me in congratulating their accomplishments and supporting their future success.

Iowa's industries are increasingly high tech, including advanced manufacturing.

In total, Iowa has over 6,100 manufacturers that contribute more than \$31 billion to Iowa's economy and employ over 200,000 Iowans.

Over the next year, the Iowa Economic Development Authority will work with Iowa's manufacturers to advance a "Year of Manufacturing" in Iowa to help grow this important part of the Iowa economy.

We should also be proud that Iowa remains an agricultural powerhouse that feeds and fuels the world thanks to the hard work and innovation of Iowa's farmers and agricultural producers.

We just set an all-time record for ethanol production, set a new record for biodiesel production by an additional 55 million gallons and lead the nation in percentage of electricity generated by wind.

We now generate over 35 percent of our electricity from wind and expect this number to exceed 40 percent by 2020.

Over the past 30 years, we've significantly added value to our agricultural commodities.

We've also diversified the Iowa economy by expanding exports and supporting growth in biofuels, wind energy, data centers, fertilizer plants, bio-renewable chemicals, advanced manufacturing, insurance and financial services.

These newer industries employ hundreds of thousands of Iowans in rewarding careers.

And while I am pleased with this progress and optimistic about Iowa's future, I believe there is more work to be done.

We must seize the opportunities before us.

This new General Assembly brings new dynamics, new expectations and new opportunities to deliver positive results for Iowans.

Our state is in an admirable position.

Many states are strapped with crushing debt, poor credit ratings and a bleak economic outlook.

But Iowa is a shining example of what hard work and smart, tough choices can do for growing businesses and nurturing families.

While the December Revenue Estimate is lower than previous projections the estimate still shows a modest increase in state revenues.

Although we have faced a headwind out of Washington, D.C., that is stifling our agricultural economy, we still have positive state revenue growth.

But we must proceed with caution and not repeat the mistakes of the past.

With that prudence in mind, I present my proposed adjustments to the current fiscal year budget to you today.

These adjustments are required by law.

My proposal does not include across-the-board cuts, does not reduce funding for K through 12 education, does not reduce property tax credits and does not include furloughs for state employees.

The budget reductions I am recommending for this fiscal year are difficult.

But they maintain funding for our mutual priorities.

I am committed to working with legislative leaders to implement these adjustments.

For the coming biennium, I am presenting a complete two-year budget that is balanced each year and meets our five-year projections for a sustainable future.

This budget is based on the principles laid out by the Iowa Taxpayers Association.

It prioritizes education, health care, economic development and public safety.

And it redirects family planning money to organizations that focus on providing health care for women and eliminates taxpayer funding for organizations that perform abortions.

On my first trip to China in 1984, I learned that the Chinese word for danger and opportunity is one in the same.

Today, America and Iowa exist in a challenging world.

But we must seize the opportunity to make it a better place.

In 2010, Lt. Gov. Reynolds and I promised to reduce the size and scope of government.

I'm proud to report that we have a smaller, smarter government with a steady focus on improving services for our citizens in a more timely and efficient manner.

Yet, while the size of government is smaller, benefits for public employees at the state and local level have increased.

Unfortunately, the cost of these benefits has grown dramatically because of our antiquated collective bargaining system that has led to over 500 health-care plans, many of which are inefficient and way too costly for public employees and Iowa taxpayers.

Under our present system, a few adverse health outcomes will destroy the budget of a city, county or school district.

By replacing this system with one comprehensive statewide health-care contract we can spread the risk and dramatically reduce costs.

Using a uniform health-care benefit system similar to the IPERS program for retirement we can provide quality health care at a significantly lower cost and give local governments more flexibility to provide better wages and meet other needs.

The statewide health-care contract also needs to reward employees who take ownership of their own health by conducting health risk assessments and taking actions to improve their own health.

We have made a commitment to examine every dollar of revenue and expenditure in order to maximize efficiency and respect hardworking taxpayers.

We are committed to a smaller, smarter government that seeks innovative ways to provide services rather than blind adherence to the way things have always been done.

I'm asking the General Assembly to take a comprehensive review of all of our state's boards and commissions to address unnecessary barriers that prevent competition and raise costs.

I encourage you to ask the tough questions that challenge the status quo.

In Iowa, 90 percent of our general fund budget is spent on three items; K through 12 education, Medicaid and employee wages and benefits.

The state has significantly increased funding for education since 2011, amounting to over 654 million additional dollars.

Education and job training are the foundation for our future economic growth.

Growing our state's talent pipeline needs to be a top priority.

Even with our modest revenue growth my recommendation includes an increase of \$73 million for K-12 education for fiscal year 2018 and an additional \$61 million for fiscal year 2019 which equates to roughly 2 percent growth each year.

So this year, let's show Iowans we can make these decisions early and meet the legal requirements of setting supplemental state aid for fiscal year 2018 and fiscal year 2019 in the first 30 days.

The second largest driver of our state budget is health and human services spending.

Together, we have transformed our mental health system to a community-based model, we obtained a federal waiver for our Iowa Health and Wellness Plan which has reduced charity care for hospitals and, like 39 other states, we have modernized our Medicaid program.

As a result, we have created a new system where more Iowans have access to mental health services closer to home than ever before; more Iowans are covered with health insurance than ever before; and more than 80 new value-added services are now being offered under our modernized Medicaid program.

We've also replaced the old Medicaid system with a coordinated team of health-care professionals to ensure patients see the right provider at the right time.

As a result of these reforms and innovation, we have improved the focus on health outcomes and saved the taxpayers \$110 million.

Our increase in education funding last year was made possible because of our modernized Medicaid efforts.

Without these vital reforms, the budget choices before us today would be twice as hard.

In order to grow Iowa, we must also look at policies and reforms that will continue growing family incomes.

One way to do this is to close the skills gap which in many ways is the biggest challenge our state faces over the next decade.

That is why Lt. Governor Reynolds and I set the Future Ready Iowa goal that 70 percent of Iowans in the workforce should have education or training beyond high school by 2025.

Today, less than half of our workforce does.

Accomplishing this ambitious goal will create unprecedented opportunities for Iowans and better position our state to compete in an increasingly knowledge-based, digital economy.

That is why we established the Future Ready Iowa Alliance, co-chaired by Lt. Governor Reynolds and Dan Houston of Principal, which will make recommendations by Oct. 31, 2017, to assure more Iowans have the careers they deserve and employers can hire the skilled workers they need to grow and innovate.

Even with a tight budget, we should continue to prioritize initiatives that will grow the state's talent pipeline like the STEM initiative, registered apprenticeships and work-based learning for Iowa's students.

Please help me recognize the students here with us today from Jackson Elementary School in Des Moines, Bondurant-Farrar Middle School and Waukee High School, which has one of the premier work-based learning programs in our state.

The students in the gallery represent children across Iowa who are counting on all of us to modernize schools for the 21st century.

That's why Lt. Governor Reynolds and I are launching a comprehensive computer science initiative.

We are encouraging every high school to offer at least one high-quality computer science course, every middle school to provide exploratory computer science, and every elementary school to include an introduction to computer science.

All students need to learn how computers operate because it is fundamental to life and work today.

Computer science will provide students a chance to join one of the fastest-growing and best-paying fields.

No student should miss out on this opportunity because of where they live.

This is another step to better align education and training with essential workforce needs.

We all care deeply for the safety of our families, our friends, and our neighbors.

However, a troubling trend has begun to emerge that threatens Iowans' safety on our roads.

Traffic deaths went from 315 in 2015 to 400 in 2016.

This is unacceptable.

Earlier this year, I called on the Department of Public Safety and the Governor's Traffic Safety Bureau to lead a working group to study this disturbing trend.

The group, with the support of key stakeholders, including law enforcement, made recommendations worth your consideration.

I am asking you to take a hard look at these recommendations and evaluate which can be put into law to make our roads safer.

Unfortunately, too many innocent bicyclists, motorcyclists, pedestrians and passengers have lost their lives on our roads.

Last year, I received a handwritten note from Christine and Darrel Harken, parents of Grace Harken, who live near Riceville.

They wrote "our daughter Gracie's life was so sadly ended July 29, 2015, by someone who was driving and texting."

Grace was biking safely and lawfully during a morning bike ride, when a driver who was texting struck and killed her.

They went on to write, "Grace would have forgiven the driver and moved forward.

"That is what we have chosen to do. But we miss her so."

Grace Harken's life was tragically ended way too early.

Modern technologies should come with new responsibilities.

I ask that all Iowans join the Iowa law-enforcement community, first responders, the League of Cities, all the major cell-phone carriers, the insurance industry, and the medical community in demanding real change in the laws for distracted and impaired drivers.

Last year, I called on the Legislature to send me a water-quality improvement bill.

I was pleased to see bipartisan progress made on this front with the House passing House File 2541 last session.

This bill was approved by the Agriculture, Ways and Means and Appropriations Committees and passed the House with 65 votes.

This bill provided for a long-term, dedicated and growing source of revenue to help implement projects to improve habitat and water quality directed by the Iowa Nutrient Reduction Strategy.

The bill also provided funding for community conservation practices and improvements to wastewater and drinking water facilities.

By leading on this issue, together we have the opportunity to modernize Iowa's agricultural infrastructure, create jobs in rural Iowa and promote collaboration between urban and rural communities.

I believe our discussions should begin with the House-passed bill from last session.

I hope we can work together to perfect and improve the legislation that will provide a long-term, dedicated and growing source of revenue for water-quality improvements.

I've been so blessed to serve as your governor, leading the state I love, for 22 years.

I am confident Iowa will continue to move forward because Iowans care deeply about their neighbors, their communities and creating an even better future.

And I'm extremely thankful for perhaps the most patient person in the state -- my wife, Chris -- as she has also served Iowa as first lady with grace.

She has welcomed Iowans and visitors from around the world to Terrace Hill and she has volunteered to help in many ways, including reading with Jackson Elementary students.

To Chris and my entire family, thank you for your sacrifice during my time in public service.

I am also thankful for the friendships we have made in all 99 counties – friendships that we will always cherish.

And I am grateful for the prayers from Iowans who have encouraged me along the way.

There is no better job in the world than being the governor of the state that you love.

But sometimes we are called to serve in ways we had never imagined.

As I approach the U.S. Senate confirmation process my main priority is to continue serving the people of Iowa with the same energy and passion that I have brought to this office each and every day.

Thank you.

God Bless you and all the people of Iowa.