

Governor Chet Culver Budget Address

January 30, 2007

Iowa State Capitol
Des Moines, IA
As delivered

Good morning. President Kibbie, Speaker Murphy, leaders Gronstal, McCarthy, Lundby and Rants, and members of the 82nd General Assembly. [others, statewide elected officials and judges]

Welcome Lt. Governor Judge.

And please help me welcome Iowa's First Lady, Mari Culver.

I want to thank you for the opportunity to address this joint legislative session. It's an honor and a privilege. I would like to start by congratulating you on the progress you have already made.

An increase in the minimum wage was an Iowa priority. You acted quickly and decisively, approving an increase from \$5.15 to \$7.25 per hour.

Better wages will mean significant changes in the lives of nearly 260,000 Iowans and their families. I am very proud of the fact that the first bill I signed as Governor was House File 1, to increase the minimum wage.

I am so proud that not a single leader, majority or minority, voted against this bill. This bipartisan effort is an example of what's possible when we work together.

However, the minimum wage is just the start. We have a lot of work to do. As I said in my inaugural address, this is our time. It's time for us to lead Iowa forward and fulfill our state's unlimited potential.

I also talked about a new 21st Century Iowa expedition, one on which we will be judged -- whether or not we meet the challenges related to renewable energy, the environment, workforce development and job creation, educational excellence, health care, quality of life, and most importantly, balancing the budget.

Today we begin this difficult challenge. We need to find common ground, and agree upon a budget that benefits all Iowans. Through this process we must remember, we have an historic opportunity to create One Iowa.

Let us continue to lock arms and work for the common good, just like we did with the minimum wage.

As we set out on this expedition and look at Iowa's economic and fiscal picture, there is some pretty good news.

Fortunately, we have an expanding economy and enjoy a modest budget surplus. General fund receipts, personal income tax, sales tax receipts are all up.

Our median household income is higher than the national average, and our unemployment rate is lower than the national average.

In addition, statewide land values and commodity prices are at all-time highs, and our state's export of value-added agricultural and manufacturing goods has steadily increased.

This strong economic growth fortunately means state revenues are coming in at a rate higher than anticipated. We also enjoy a growing bioeconomy that holds promise, and makes us a real player in the new global marketplace.

While this solid financial outlook should reinforce the belief that our future is unlimited, we all must realize that state revenues are always limited. We can do virtually anything we put our minds to – we just can't do everything we might want to.

So, because of these inherent revenue limitations, I believe we must always be guided by five responsible budgeting practices.

First, Iowa common sense is our best guide to budgeting. Simply put, we can't spend more than we take in. We are expected to balance our checkbook and put money into savings the same way Iowans do.

Second, we must respect state law regarding our reserves. These include the cash reserve fund, and the economic emergency fund.

Third, we need to be guided by the actual numbers. They don't lie. Smoke and mirrors, games and gimmicks, just don't work.

Fourth, we must always realize we can't possibly fund all of the budget requests made of us. Difficult and painful decisions are required.

Fifth, we must never be satisfied with our state's fiscal condition. There is always room for improvement. Our state's bond rating does matter. While we have done well to receive a Double-A rating, we should always strive for excellence. Why can't we work toward a Triple-A bond rating? Why not become the best-managed state in the nation? I believe we should do all we can to leave this state in better financial condition than we found it.

Well, I have applied these five important budgeting practices in the document that is being presented here today. Now, I challenge each of you to do the same.

As a result, the state's fiscal health will be preserved, our reserves and surplus will be protected, and we will meet the needs of our people.

Here's what this budget will allow us to do:

Most importantly, it will maintain a year-end balance of nearly \$200 million. This will allow us to be prepared for any unforeseen and unanticipated needs.

After setting aside reserves, the most important priorities remaining are in: energy, education and health care. This budget meets those challenges too.

Remember, this is our time. It's time for us to take control of our energy future. It's time to win the race to become the energy capital of the world. It's time for Iowa to break free from our dependence on foreign oil.

It's time for Iowa to become the Silicon Valley of the Midwest. It's time to create the jobs of the future that will keep your children and my children here at home, where they belong.

To meet the energy challenge I am proposing the creation of a \$100 million Iowa Power Fund, with a down payment of \$25 million this year. This priority is of such critical importance, I am asking you to authorize a supplemental appropriation immediately. This will help us rapidly develop the next-generation energy economy in Iowa.

This new investment will incent the growth of Iowa-based businesses in this exciting new industry, create jobs, and attract millions of dollars in public research and development funds. It will also result in hundreds of millions of dollars in private investment in renewable energy in Iowa.

In addition, the Power Fund money will be used to help conduct the important research and development necessary for all forms of renewable energy and alternative fuel.

It doesn't matter whether its related to wind or solar power, geothermal or biomass cellulosic ethanol, biodeisel, or E-85. Iowa needs to lead the way. The Power Fund will allow us to do this. We need to create the essential public-private partnerships required to further develop these alternative energy opportunities and commercialize them.

However, we are not the only state working towards energy independence. In order to maintain the leadership we have worked so hard to develop, we must compete and do so aggressively.

Let's put Iowa in a position to win the race to become the energy capital of the world. Together, we can achieve this goal and I ask you to act immediately to create the Iowa Power Fund.

This budget proposal also allows us to restore excellence in education. As a state we must rededicate ourselves to this worthy goal.

I believe we need a comprehensive pre-K to post-secondary education plan.

So, that's why today I am proposing we invest nearly 190 million dollars in new funding for education. This will begin to allow us to meet the needs of our students at all levels.

A strong start for every Iowa child must be a shared goal. Ninety percent of brain development occurs from birth through age 6. We can't afford not to invest in our kids. We need them to arrive at kindergarten prepared, ready and able to learn.

To that end I am asking you to make an additional 20 million dollar commitment to early childhood education. This step is part of annual increases in funding necessary until every Iowa four-year-old has access.

To improve education at the K-12 level, we've set aside an additional 165 million dollars, which represents an increase from fiscal year 07 of 6.5 percent. This will help us reach our goal of getting teacher pay to 25th in the nation. A 70 million dollar investment in teacher pay is the largest ever.

This unprecedented investment in teacher pay will allow us to recruit and retain the best teachers, close the gap in teacher pay between urban and rural school districts, ensure quality teaching, and most importantly, show our classroom teachers the respect they deserve for the important work they do every day.

Finally, we must renew our commitment to higher education.

Today, there are real challenges for Iowa college students and their families, Iowa is at the bottom among states when it comes to needs-based access to higher education and at the top when it comes to student debt load. This is not a good combination, and we must do something about it.

This budget proposes five steps to accomplish this goal:

First, I am asking you fund the salary bill. This will assist in the constant battle to recruit and retain talented faculty and staff at our world-class public universities and excellent community colleges.

Second, I am asking you to provide an additional 25 million dollars to our regents institutions and 12.5 million dollars to our community college system.

This step is designed to increase course offerings and to provide some immediate tuition relief.

Third, I am proposing we initiate a brand new college scholarship, called the All-Iowa Opportunity Scholarship.

The scholarship will provide greater access to higher education for Iowa high school graduates based on financial need.

It will allow a student to cover up to \$2,500 in tuition at an Iowa community college or up to \$5,000 toward their first year at any regents institution of their choice. This budget sets aside 5 million dollars for this important college scholarship program.

Fourth, for Iowa high school graduates who attend one of Iowa's 31 private colleges, we will increase the amount of the highly successful Iowa Tuition Grant. This will expand access for thousands of students who need it and keep them in the state.

Fifth, we will create a statewide Senior Year Plus program. This will allow every high school senior the chance to earn up to a year of college credit before they graduate from high school.

This investment will save students and their families thousands in tuition dollars.

If we make these investments, the rewards of educational excellence will be with us for generations to come. That's why I ask you to support these important initiatives.

Perhaps the biggest and most expensive challenge we face, however, is in the area of health care. 250,000 Iowans including 50,000 kids have no health care coverage. None. There is not one legislator in this chamber today who didn't promise to do something about this.

So, in an attempt to deliver on our promises and significantly increase access to quality health care for all Iowans, I am proposing an additional \$140 million to meet our most immediate health care needs.

And, I've identified, I believe, the only responsible way to pay for it. That's why I am asking you to increase Iowa's cigarette tax by one dollar per pack. This step will generate approximately 140 million dollars in new revenue the first year.

By taking this important step we will be able to do the following:

1. Save more than 17,000 lives.
2. Create a powerful disincentive to start smoking and help others quit.
3. Improve the quality of life for tens of thousands of Iowans by preventing illness and reducing the incidence of cancer, stroke, heart disease, and emphysema.
4. Close the smoke-related budget deficit. Because we have the 9th lowest tobacco tax in the country, the state's costs of treating smoke related illnesses is greater than our cigarette tax revenue by more than \$50 million dollars annually. This simply isn't fair. Non-smoking Iowans shouldn't be expected to pay for health care costs of those who choose to smoke. Its time to close the gap.
5. Expand coverage to the most vulnerable among us, including up to 50,000 Iowa kids who have no coverage today.
6. Expand health care coverage to more than 6,000 Iowa parents living at or near the poverty level.
7. Double the size of the state's nursing home ombudsman's office which advocates for quality long-term care on behalf of thousands of Iowa seniors who need it.
8. Keep our commitment to fund the Senior Living Trust, which allows more Iowans to remain in an independent living setting for a longer period of time.
9. Fund other important programs like: child and family health services mental health community services efforts to fight infectious disease child health specialty clinics and adoption services.
10. Provide significant funding for worthy health care related ideas being brought forth by legislators like Sen. Hatch, and Reps. Foege and Heaton, who are helping to drive this important discussion.

I know some legislators only want to increase the cigarette tax by 30 to 60 cents. But half-measures will only produce half the results. The fact is, we have hundreds of millions of dollars in health care related needs. I am not willing to ignore any of the important priorities I just outlined.

We must find a responsible way to pay for all of them. Raiding our limited reserves is not possible. And, severely underfunding health care and andor cutting necessary funding in other areas like education and energy are simply not viable options.

I strongly believe the number needs to be one dollar, and I respectfully ask for it.

There is one more important step we need to take related to health care and saving lives. Today, I am asking you to lift the ban on stem-cell research.

The health care budget I have outlined will allow us to create the Center for Regenerative Medicine at the University of Iowa, with a commitment of 12.5 million dollars.

We are well positioned, as one of only 15 National Cancer Institute sites in the country, to forge ahead in the search for lifesaving cures for diseases like cardiovascular, diabetes, cancer, Parkinson's and Alzheimer's.

We have the chance to bring hope to thousands of Iowans suffering from these life-threatening illnesses. Let Iowa be known as a center for science research and technology, not only in energy but in the health sciences too.

As we work to lead Iowa forward, we must remember to honor the commitment of the veterans who have fought to defend our freedom, and those who are serving today.

Our actions should show veterans the honor and respect they have earned. I believe we have an obligation to honor their sacrifices and those of their families.

As you know, Iowa suffered another tragic loss just ten days ago.

Command Sergeant Major Marilyn Gabbard of Polk City, whose funeral is being held this morning, died January 20th while serving in Iraq. She was a committed and courageous wife, mother, and soldier who answered the call of duty. She was asked to make the ultimate sacrifice.

Today, we mourn along with her family, friends and her community. With my first executive order as Governor, I have ordered flags throughout the state to be flown at half staff on this day to honor Sgt. Major Gabbard.

Will you please join me now in a moment of silence for Sgt. Mgr. Gabbard and the 49 other Iowans who have died in this conflict.

Thank you.

In an effort to meet the needs of all of our returning veterans and their families, I am proposing 6.5 million dollars for the Enduring Freedom Support Program and for critically needed injury and housing assistance. They fought for us. Now it is time we fought for them.

All Iowa law enforcement officers and correctional officers also protect us every day by keeping our communities safe. They too deserve our gratitude. I am proposing to fund 130 unfilled positions at our corrections institutions in an effort to increase staffing levels.

Unfortunately, we have some prisons in Iowa that are almost 50 percent above capacity. In an effort to reduce the strain caused by inadequate staffing levels, we have set aside \$17.5 million dollars to significantly reduce the strain on the system and to operate the new facility at Oakdale.

This budget proposal also cuts taxes and saves taxpayers millions. We have found a way to close certain out of state corporate tax loopholes and use available new information technology methods to improve tax collections.

These important steps will not only allow us to save millions but they will also allow us to offer up to \$25 million in immediate commercial property tax relief.

Finally, there are some additional important priorities in this budget. They are:

-- committing nearly \$20 million for our water quality initiatives. This will allow us to better protect the land, lakes, rivers and streams we all love.

-- setting aside \$9 million to improve our Mainstreet, Community Attractions and Tourism, and Great Places programs.

-- providing resources to fund the CASAs, or Court Appointed Special Advocates, who often represent abused and neglected children in our court system.

-- protecting and expanding access to shelter services for at-risk women, mothers and children. I can tell you the First Lady will continue to be a real advocate on behalf of shelter service care providers and the vulnerable individuals who desperately need them. Thank you dear for your efforts, and we will direct these important resources into shelter care.

In closing, this is our time. These are our priorities. We must take advantage of our unique opportunities and meet our unique challenges.

Let this 82nd legislative session be remembered as an historic one for the people of this great state.

Let this session be remembered as the one in which Iowa turned the corner toward energy independence protected its precious environment led the way in job creation re-committed itself to excellence in education dramatically expanded health care access and improved the quality of life for all of its people.

I ask you to join me in this worthy effort.

I stand ready to work with you in good faith to get the job done.

This budget is an opportunity to reach consensus and create One Iowa. Together I know we will succeed and we will lead Iowa forward.

May God bless you all, and may God bless the great state of Iowa.