

STATE OF THE STATE ADDRESS

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Century economy; and developing a more efficient government through
greater use of technology."
- Dave Heineman, Governor*

Mr. President, Mr. Speaker, Members of the Legislature, Tribal Chairmen, Distinguished Guests, Friends and Fellow Nebraskans:

As we enter a new decade, we have a unique opportunity to pause - to reflect on our past accomplishments and take the first step toward new endeavors. As a State, we are in an exceptional position to become an even more extraordinary place to live, to work and to raise a family.

Nebraska's financial health is stronger than most of our peers across America, because working together we have been fiscally responsible. Two months ago, Nebraska faced a \$335 million revenue shortfall. We acted quickly and decisively. We resolved this financial challenge by reducing spending, not by increasing taxes. Members of this body were in special session just 12 days. You passed the budget unanimously and I signed it into law immediately. No other state has acted as swiftly or spoken with one voice as Nebraska has in recent months. Senators, thank you for your work during the 2009 special session.

As a result, we are positioned to continue moving Nebraska forward. My focus for the coming year is to prepare our state to take advantage of new opportunities.

My vision for ensuring a strong future for Nebraska is summed up in three priorities: growing our economy, strengthening education, and developing an even more efficient government. Growing our economy means an every day focus on job creation.

Our efforts to modernize Nebraska's economic incentive programs, to lower taxes, and to prioritize investments have resulted in a stronger, more stable economy in Nebraska than in the rest of the country. In 2005, I worked with this body and we enacted the most comprehensive reform of our state's economic development programs since the 1980s.

I am pleased to report that the Nebraska Advantage is exceeding our expectations. Since its passage, 195 companies have decided to expand or locate in Nebraska. These companies plan to invest \$5.3 billion in our economy. When all projects are completed, nearly 16,000 new jobs will have been created.

Even as the national economic slowdown is impacting all states, our

recruiting efforts continue to pay dividends. Fifteen months ago, one of America's most well-known technology companies announced it would locate a data center and customer service center in the Omaha area. Both projects will be operational this year. Last month, a California technology company announced it was locating in Grand Island. This company will create 200 new jobs over the next three years.

In September, a successful and nationally-known retailer, headquartered in Kearney, announced an expansion of its distribution center using funding from Nebraska's Community Development Block Grant program. That same program is helping the communities of Aurora, Kearney, and South Sioux City develop new industrial power park sites for future economic growth. Last April, two central Nebraska companies announced a partnership that created 25 new jobs in Central City producing custom made cabinets that had previously been manufactured in China.

Working with the International Brotherhood of Electrical Workers, we used funding from Nebraska's Worker Training program to build a wind tower training facility that will help prepare our workers for the future growth of Nebraska's wind energy sector. Agriculture and ag-related businesses continue to be a solid and stable foundation of Nebraska's economy. Nebraska's insurance and financial services industry continues to expand.

In addition to our work to create jobs, the other important element to growing Nebraska's economy is our work to lower taxes. For too long, Nebraska has been a high tax state. But we are changing that.

Three years ago, we passed the largest tax relief package in the history of the State. We repealed the estate tax, eliminated the marriage penalty, repealed the sales tax on construction labor, and lowered income taxes. Prior to those changes, the Tax Foundation ranked Nebraska as one of America's Top 10 highest tax states. Their survey ranked Nebraska as having the 44th highest tax rates out of 50 states.

Today we have successfully reduced our ranking to 33rd, making Nebraska a more competitive and business-friendly state. That's progress, but we have more to do. Taxes are still too high.

The key to lowering taxes is to control spending. It requires difficult choices and it requires that we prioritize our investments.

During this national economic slowdown, we have seized the opportunity to make Nebraska more competitive. Many states have raised income or sales taxes – Nebraska has not. Many states spent beyond their means – Nebraska did not. We controlled our spending.

Because of the tough choices we have made, Nebraska is receiving national attention. According to Forbes, Nebraska is one of the Top 10 "Best States For Business." Business Week rated Nebraska as one of the Top 10 states

"Where Struggling Americans Can Find a Fresh Start." Mainstreet.com ranked Nebraska as the number one state for financial prosperity in their "Happiness Index." Nebraska has the second lowest unemployment rate in America. CNN Money just published a ranking of the Top 10 "Best Places to Live" in America for jobs. Three of the Top 8 places for jobs in America are in one state - Nebraska. They are Platte County, Sarpy County and Madison County.

There is more good news. The latest U.S. Census Bureau estimates indicated Nebraska's population growth in 2009 compared to the national growth rate was our best performance in nearly 50 years.

Nebraska is on the move in typical Nebraska fashion – making deliberate, disciplined, steady, and responsible progress. However, the next 12 to 18 months will be a time of uncertainty for our economy. Historically, as the national economy begins to recover, state tax revenues tend to lag behind.

To build on the progress of the past few years, it will be critical that we solve any additional revenue shortfalls by remaining committed to reducing spending. Preventing any future tax increases is crucial to continuing Nebraska's economic progress. Tax increases are job-killers, not job-creators. Whether it's a special session or a regular legislative session, I will oppose any attempt to increase income or sales taxes on Nebraskans.

The second key element to spurring future growth is strengthening Nebraska's education system. The world is changing. Our task is to prepare our sons and daughters to compete in a knowledge-based, technology-driven, global, free-market economy. Today's jobs require higher reading and math skills than was true 20 years ago.

In order to prepare our students for the 21st Century workplace, we need to transform our education system from pre-school all the way through college. We've begun that reform by restructuring the Nebraska P-16 Initiative. This partnership includes education leaders and policy makers.

As the new chair of the Nebraska P-16 Initiative, I am pleased to be working closely with my fellow co-chairs, including Senator Greg Adams, Chair of your Education Committee, Commissioner of Education, Dr. Roger Breed, University of Nebraska President J.B. Milliken, and Liz Koop, President and CEO of EducationQuest Foundation. We are united in our effort to strengthen Nebraska's education system.

For all students to succeed, Nebraska needs a common set of career-ready and college-ready academic standards. One of our first P-16 goals was to update Nebraska's high school graduation requirements by supporting a core curriculum of four years of English and three years of math, science and social studies. I am pleased to report that the State Board of Education has adopted these new high school graduation requirements starting with the 2014-2015 academic year, and just minutes ago, I approved the Rule 10

regulation updating Nebraska's graduation requirements for the first time since 1984.

Furthermore, the road to economic prosperity for us as a State and for individual students is a good education. The road out of poverty into a good job is a good education, and a good education starts with parents and early learning activities at home. It continues with outstanding early childhood programs, and as our children enter one of Nebraska's 253 school districts, the focus must be on learning.

Student success in the classroom is directly related to quality teachers and increased parental involvement. That's why in 2007, I began collaborating with the Nebraska Association of School Boards on a new award recognizing school districts that are successful in increasing parental involvement. In the last three years, we have honored school districts from Garden County, Sutherland, Cozad, Kearney, Loup City, St. Paul, Grand Island, Madison, Papillion-LaVista, and Millard for their parental involvement programs.

As good as Nebraska's schools are today, they must be even better in the future. Increasing student achievement means Nebraska needs a high quality teacher in every classroom, a high quality principal in every school, and a high quality superintendent leading every school district. Eliminating academic achievement gaps means changing the status quo. For example, high truancy rates are unacceptable. Superintendents, parents, law enforcement, county attorneys, and other community agencies need a high profile effort to ensure students are in school every day.

Additionally, Nebraska needs to reform its school day and school year. The needs of students have changed dramatically during the past century, yet our American education system continues to rely upon a 100-year-old school calendar. School districts need to examine their current school day and school year with a focus on increasing learning opportunities. School leaders and parents must work together to develop effective strategies to use time more effectively.

Tomorrow, Commissioner Breed and I will be submitting Nebraska's Race to the Top application to the federal Department of Education. Our commitment includes working with the University of Nebraska to develop a new Nebraska Virtual High School that will provide Nebraska's school districts with rigorous academic programs.

Imagine how a Nebraska Virtual High School could expand learning beyond the traditional school day and school year for both students and teachers. Every school district stands to benefit from this effort. For rural and urban school districts, it will provide access to a wider range of rigorous academic subjects, such as foreign languages and advanced math and science classes. For school districts with parents without internet access at home, schools could keep buildings open later in the evening for students to access these

academic programs online.

Imagine students spending more time in a virtual classroom between the hours of 3:30 p.m. and 8:30 p.m., and less time on the streets involved in drug and gang activities. Imagine students using Nebraska's Virtual High School from their home, a library or a community center during the summer. With innovative and creative thinking, we will expand learning opportunities well beyond the traditional school day and school year.

In Nebraska, we have an opportunity to create an education system with higher student achievement, increased accountability, improved teacher and principal effectiveness, and a reformed school day and school year. Change of this magnitude will require a redirection of current financial resources at the school district level, including diverting resources from lawyers and lobbyists to the classroom. It will require a continued prioritization of state resources, and I will continue to prioritize education. The focus must be on student learning, both individual achievement and student growth.

In a 21st Century, global economy, we must recognize that today's students need more than a high school education. Today's jobs require at least two years of college and in many cases four years of college. That's why Nebraska needs a top 10 college going rate and affordable access to higher education institutions. Like our K-12 school districts, the University of Nebraska, our state and community colleges, and our private colleges and universities need to re-examine their educational processes. Students need a clear path to degree completion in four years, not six years.

Our colleges and universities need to prioritize their investments as well as redirecting financial resources to higher priorities. Strengthening Nebraska's education system from pre-school through college is essential to Nebraska's future success. Now is the time to focus our attention on building an education system that meets the needs of modern students competing in a modern world.

The final component to keep Nebraska moving forward is to continue to develop a more efficient government by reforming the delivery of government services. By using technology, state government can become more efficient and more productive. For example, Nebraska is developing a statewide radio system to allow city, county, state, and federal agencies to communicate with each other. This project is a perfect example of how innovation can provide enhanced public safety that benefits every Nebraskan.

In addition, the technology that allows Nebraskans to file taxes electronically has also helped increase productivity and lower costs. More than 71 percent of Nebraska's tax returns were filed electronically last year. We have one of the highest e-filing rates in the nation.

The Department of Health and Human Services is using technology to

improve client services and modernize the delivery of economic assistance programs through a series of online applications known as ACCESSNebraska. More than 56,000 Nebraskans have taken advantage of the ability to apply for services online since last September. More than 30 percent of our citizens applying online do so outside of traditional work hours. Once fully implemented, the federal and state budget savings will be more than \$5 million annually.

Some of our most popular online services include hunting and fishing licenses from the Nebraska Game and Parks Commission, and the 511 feature offered by the Department of Roads providing real-time information on weather and road conditions across the State. Last year, more than 434,000 hunting and fishing licenses were purchased online. The Department of Roads 511 site logged more than 700,000 visits in December alone and more than 1.3 million visits in 2009.

Ladies and Gentlemen, although 2010 will be a challenging year for Nebraska and all states, it is essential that we continue to position Nebraska for future growth.

Our roadmap is clear and my focus will be on three priorities: Growing our economy by focusing on job creation; strengthening Nebraska's education system so that our students can compete in the 21st Century economy; and developing a more efficient government through greater use of technology.

We have worked hard to position Nebraska as an attractive place to live, to work and to raise a family, and I am confident that the year ahead will provide us with new opportunities to move Nebraska forward.

Thank you.

The committee escorted Governor Dave Heineman from the Chamber.

BILLS ON FIRST READING

The following bills were read for the first time by title:

LEGISLATIVE BILL 935. Introduced by Speaker Flood, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to amend Laws 2009, LB 313, section 17; Laws 2009, LB 315, section 76; Laws 2009, First Special Session, LB 1, sections 15, 16, 17, 18, 20, 21, 22, 23, 27, 41, 87, 98, 104, 210, and 228; to define terms; to appropriate funds; to change certain appropriations; to provide for transfers; to repeal the original sections; and to declare an emergency.

LEGISLATIVE BILL 936. Introduced by Flood, 19.