

State of the states

*Economic development, education
top governors' agendas*

BY LAURIE CLEWETT

What's on state governors' minds in 2004? California Gov. Arnold Schwarzenegger said it best during his first State of the State Address on January 6: "Jobs. Jobs. Jobs. The more jobs the better."

"I am going to become California's job czar," he promised. "I am going to travel the nation and the world to find those jobs."

Judging from his colleagues' addresses, Schwarzenegger is going to have plenty of competition in his quest to attract companies to his state. Almost all of the 42 governors who gave a State of the State speech in January or early February named economic development or job creation as a priority.

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**— Arnold
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"My top priority is to create jobs," said Indiana Gov. Joseph E. Kernan. "We will aggressively promote Indiana businesses and workers to beat back the effects of this national recession."

"We're in a global competition for jobs," said South Carolina Gov. Mark Sanford. "We don't just compete with Southern states anymore. We're now competing with the likes of China and India."

New York Gov. George Pataki declared his goal to create 1 million new jobs by the end of the decade, while Ohio Gov. Bob Taft appointed a Jobs Cabinet.



Governors Bob Wise of West Virginia (above), Olene Walker of Utah (top right) and Jennifer Granholm of Michigan (bottom right) delivered their State of the State addresses. (Photos by the governors' offices.)

Finding a place in the "new economy"

The governors offered a variety of strategies and initiatives to promote job growth, with names like "Grow Wisconsin," "Georgia Works," "Indiana@Work," Delaware's "New Economy Initiative," "The Kentucky Job and Wages Initiative," and "New Jobs for New Jersey."

Many of these efforts involved offering standard economic development tools, such as tax incentives or venture capital funds, to lure companies. Some focused on courting particular industries likely to create high-wage jobs – especially technology and biosciences.

"Whether it's pharmaceuticals, biotechnology, or medical research – life sciences technologies will create the jobs of tomorrow," said Gov. Bob Holden of Missouri. New Jersey Gov. James McGreevey pointed to the fact that his state recently became the second in the nation to legalize stem cell research to entice pharmaceutical and biosciences companies to locate there.

Like several other governors, McGreevey stressed a key ingredient to attract high-tech, high-wage jobs: a strong emphasis on research and development in public universities. “To move to the next level, to compete with Massachusetts and California, the research in our public universities must become a catalyst for the private sector.” He proposed creating three Innovation Zones that would use tax credits and financial incentives to build industry clusters around public research universities. Oklahoma Gov. Brad Henry, meanwhile, called for a \$1 billion endowment “to fuel private and public research and development.”

While some governors tried to jump on the high-tech/biosciences bandwagon, others tried to carve out a unique economic niche for their states. New Mexico Gov. Bill Richardson, for example, touted his state’s ongoing efforts to become a hub for the film industry, while Alabama Gov. Bob Riley focused on the space industry. Gov. Frank Murkowski of Alaska proposed building a pipeline to move natural gas from Prudhoe Bay.

Others, including the chief executives of Iowa, Colorado, Maine, Minnesota, Mississippi, Pennsylvania, South Dakota, West Virginia and Wyoming, emphasized tourism. “We should recognize that we are sitting on a tourism gold mine,” said Gov. Edward Rendell of Pennsylvania. Gov. Olene Walker organized a task force to make Utah “the global outdoor recreation area.” And Gov. John Baldacci asked the University of Maine to develop a center of tourism research.

Not surprisingly, governors of border states like California, New Mexico and Maine focused on developing international trade. But so did Utah’s Gov. Walker. “As the world turns more to the global economy, we need to build our international image and support our businesses in their efforts to be effective players,” she said.

Along with the drive to create new jobs, several governors stressed the need to preserve the jobs they already have in areas such as manufacturing and agriculture. And, looking ahead to the next round of military base closings in 2005, the governors of Alabama, Arizona, California, Georgia, Kansas, Ohio, Oklahoma, Mississippi, New Mexico and Utah vowed to fight to keep the bases in their states from closing. “Our number one economic priority must be to save Hill Air Force Base from another military base downsizing,” said Walker. “Hill is the state’s largest employer, and we simply must keep it.”

Creating a business-friendly climate

The governors proposed a variety of initiatives aimed at creating a business-friendly climate – not only in terms of economic policy, but also in terms of regulatory policies, infrastructure and workforce development.



Gov. Richardson described “Invest New Mexico, a \$20 billion strategic infrastructure plan involving public-private partnerships to ensure New Mexico doesn’t lag behind.” The governors of Colorado, Georgia, Kansas, Maryland, Minnesota, Pennsylvania, Rhode Island, Tennessee, Virginia and Washington also announced or called for investments in infrastructure, especially in transportation.

Gov. Schwarzenegger and Massachusetts Gov. Mitt Romney both called for reform of their state’s unemployment insurance system. Schwarzenegger was also joined by

the governors of Ohio, New York and Vermont in his plea for workers’ compensation reform. And the governors of Ohio, Mississippi, and Oklahoma asked for tort reform.

In Michigan, Gov. Jennifer Granholm announced that the Department of Labor and Economic Growth would implement “a sweeping reform of our regulatory process to pitch the reels of red tape and the endless waiting for those who deserve permits and licenses now to grow their business in Michigan – we will create a One Stop Shop for businesses.” In Hawaii, Gov. Linda Lingle called for lower business registration fees and other fees.

Some called for tax cuts to spur the economy or to attract businesses. “I believe, and the data supports, that the most significant single tax change we can make to improve the climate for small business generation and job creation in South Carolina is to lower the income tax,” declared Gov. Sanford. His colleagues in Hawaii, Maine, Oklahoma, Virginia and Vermont also called for some form of tax cut.

Sanford was joined by the governors of Iowa, Kentucky, Michigan, Minnesota, New Mexico, Ohio, Pennsylvania, Utah, Vermont and Virginia in calling for some form of tax modernization or reform. Although not all of the governors proposed their tax



cuts or reforms within the context of creating jobs, Kentucky Gov. Ernie Fletcher reflected the sentiments of those who did. “This is a comprehensive change in the way we do business to reflect the new economy, and to attract the human capital we need,” he said of his tax modernization proposal.

Focusing on human capital

One of the keys to attracting and retaining businesses, according to the governors, is having a workforce qualified to fill 21st century jobs. Thus, many of their initiatives focused on workforce training. “We must continually strive to train a workforce that is state-of-the-art, flexible, innovative – in short, world-class,” said Ohio Gov. Taft. “As the economy transitions, on-the-job training must become a more central part of our strategy,” he added, calling on legislators to double the state’s commitment to job-training programs that match company training initiatives.

In addition, as part of his proposed “Jobs Bill,” Taft proposed creating the Ohio Workforce Guarantee. The state would recruit, screen and train workers for companies that create 100 good jobs. Taft also appointed a Jobs Cabinet to “focus on helping those who have lost jobs, enabling our companies to find the skilled workers they need to succeed, and cutting red tape through regulatory reform.”

Other governors focused not on attracting or retaining companies, but on attracting and keeping people. In language reminiscent of Richard Florida’s 2002 bestseller *The Rise of the Creative Class* (see the review on page 12), Gov. Baldacci emphasized the importance of “The Creative Economy.” He announced a conference in May to develop strategies to “help innovative workers grow Maine’s economy,” including focusing on arts and culture. Gov. Granholm, meanwhile, wants Michigan to “create cool cities” – vibrant cities that are centers of commerce. “For the workforce of tomorrow wants to live where it’s happening,” she said, “and employers will not come here if that future workforce – the technology workforce – has left us for New York or Boston or Chicago.”

North Dakota Gov. John Hoeven described his state’s “Opportunities 2020” initiative, which will place college students in internships designed to lead to career opportunities to keep them from leaving the state when they graduate.

Education

Along with job creation, education topped the list of the governors’ priorities this year. Often, their education proposals came hand in glove with their proposals for economic development.

“For too long, we have treated education and the economy as separate issues,” said Kansas Gov. Kathleen Sebelius. “We have acted as if strengthening schools and creating jobs were somehow unrelated. But the world economy and the Kansas economy have changed. What natural resources, railroads, and fertile land were to previous generations, education must be to ours and our children’s. For our economy to grow, every worker in this state ... must have 21st century skills.”

School funding, teacher quality and teacher pay were the most commonly cited concerns. Nine governors mentioned the importance of early childhood education or all-day kindergarten. Other topics included higher education accessibility, accountability initiatives, reading initiatives, health and nutrition, school construction and closing the achievement gap.

The Republican governors of Connecticut, Colorado, Hawaii, Idaho, Minnesota, Mississippi, New Hampshire, Rhode Island, South Carolina and Vermont were joined by Democrat Bill Richardson of New Mexico in promoting school choice, usually through charter schools. “The time has come to find an alternative that gives every child, regardless of residence or economic background, a truly equal opportunity for a first class public education that meets his or her needs ...” said Vermont’s Gov. James Douglas. “That is why I am proposing a statewide, K-12 public school choice program that affords all Vermont students an opportunity to attend the school of their choice.”

Other governors, including those of Illinois, Hawaii, Maine, New Jersey and New Mexico, focused on structural reforms or reorganizations designed to use educational resources more efficiently and effectively. Illinois Gov. Rod Blagojevich called for the creation of a new state Department of Education, comparing the existing State Board of Education to “an old, Soviet style bureaucracy – it’s clunky and inefficient, it issues mandates, it spends money, it dictates policy and it isn’t accountable to anyone for anything.”

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Alabama Gov. Bob Riley. (Photo by Kevin Glackmeyer, governor’s staff.)

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Reorganization and reform

As the governors entered another year of tight budgets, several focused on improving government performance. Some called on state agencies to streamline their operations, reduce fraud and waste, and improve efficiency. Others called for comprehensive restructuring and reform.

“The state of the commonwealth is as challenging as it has ever been in the modern age,” said Kentucky’s Gov. Fletcher in his first annual address. “We are prepared for the challenge, but let’s not mince words: this is a government with problems at its very core, and those problems have festered for decades.”

“Every governor proposes moving boxes around to reorganize government,” said California’s Schwarzenegger. “I don’t want to move the boxes around; I want to blow them up. The executive branch of this government is a mastodon frozen in time and about as responsive.” He proposed “a total review of government – its performance, its practices, its cost. ... I want your ideas and the more radical the better.”

In Alabama, Gov. Bob Riley asked the Legislature to hold a special session devoted to accountability and reform.

Health care

Along with economic development and education, another major theme was health care. With health care costs significantly outpacing economic growth for the third straight year, health care costs (including Medicaid) and access to insurance topped the list of concerns.

“Medical costs and insurance premium increases are a tourniquet that is squeezing off the blood supply to every family, business and government budget in Minnesota,” said Gov. Tim Pawlenty.

Prescription drug costs continued to be a focal point. The governors of several states near the Canadian border (Illinois, Minnesota, New Hampshire, Rhode Island and Wisconsin) advocated exploring the possibility of importing prescription drugs from our northern neighbor. “[W]e are going to keep fighting the big drug companies, we are going to keep fighting the federal government, and we are going to keep fighting the FDA until they give consumers in Illinois – and consumers across the nation – access to the marketplace, and an opportunity to safely and legally import prescription drugs from Canada,” said Blagojevich.

Other health-related concerns included long-term care, medical malpractice insurance, substance abuse, mental health, and healthy lifestyles. “We could have all the money in the world to fund the best health care system in the world, yet if we’re not making better choices as individuals we’re still going to have a serious problem,” said Gov. Sanford, as he personally challenged every South Carolinian to be more active. Sanford invited everyone to join him and his family on a 300-mile bike ride across the state this spring.

Environment

Protecting the environment was also high on the governors’ agenda. “There is no greater responsibility given to government than the preservation of our environment – our way of life,” said New Mexico’s Richardson.

Water issues were the most commonly cited concern, ranging

from water quality to water-use planning to disputes over specific bodies of water.

Land preservation and land use planning also ranked high, especially in the Northeast, with the governors of Connecticut, Delaware, Maine, Maryland, Michigan, New Jersey, Pennsylvania, South Carolina, Tennessee and Vermont mentioning the issue in their addresses.

Several governors (Hawaii, Delaware, Maine, New Mexico, New York, North Dakota, Pennsylvania, Vermont and Washington) proposed initiatives to reduce energy use or to promote alternative energy sources.

“In the coming weeks, I will set forth a far-reaching plan to transform state government into a role model for environmental stewardship,” said Vermont’s Gov. Douglas, calling for energy conservation among state agencies. “With this ambitious strategy, we will aim to reduce government’s contribution of greenhouse gases by 25 percent, more than 34,000 tons of pollutants, by 2012.”

Hawaii Gov. Linda Lingle proposed a combination of incentives and penalties to encourage the use of alternative energy, including exempting non-fossil fuels from the state fuel tax. “To demonstrate the state’s commitment and leadership role, I ask you today to pass our bill that mandates 20 percent of all electricity sold in the year 2020 come from renewable sources,” she challenged the Legislature.

Public safety

Although some governors highlighted crime and public safety issues, as a group, public safety was not a major theme of this year’s addresses.

Most of the governors acknowledged the war on terror by honoring members of the military or National Guard from their states who had served or died in Iraq. Most, however, did not mention homeland security per se as a priority. The governors of Arizona, Connecticut, Maine, Michigan, Mississippi, New Jersey, New York and Virginia highlighted homeland security efforts.

Several governors mentioned illegal drug use as a concern, especially the use of methamphetamine. A few focused on improving the state’s child protective services (Arizona, Indiana, Nebraska and New Jersey). Other topics included crime, identity theft, corrections costs, drunken driving and faith-based services in prisons.

Conclusion

A governor’s State of the State address can only be fully understood within the social, economic and political context of his or her state. Many of the initiatives described here were welcomed by state legislators and citizens; others met with opposition and have been changed or defeated since they were originally proposed. And the governors obviously cannot address every important issue within one short speech.

Taken together, however, the annual addresses paint a portrait of the governors’ main priorities and the major issues facing the states. This year, creating jobs and ensuring quality education are clearly at the top of the list.

— Laurie Clewett is associate editor of *State Government News*.