

# **The Governors Speak — 2006**

***A Report on the State-of-the-State Addresses  
of the Nation's Governors***

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## Contents

Introduction and Executive Summary .....	1
State Economic and Budget Picture.....	3
Education .....	5
Health Care .....	8
Economic Development.....	11
Energy and the Environment .....	13
Taxes .....	14
Homeland Security.....	15
Crime and Corrections .....	16
Social Services .....	16
Source Information .....	18
About the Author .....	19
About the Institute for the Study of Knowledge Management in Education (ISKME) .....	19

## **Introduction and Executive Summary**

AS MOST STATES continue to face improved economic and budget conditions in 2006, governors are taking the opportunity to press forward in advancing their priorities for state development and investment. According to their 2006 state-of-the-state addresses, governors' priorities this year include education (particularly teacher quality and high school reform), health care (particularly health and wellness issues), economic development and vitality, and the effective management and preservation of natural resources for economic and quality-of-life purposes. Providing tax incentives and tax relief for businesses and residents also emerged as very high on governors' agendas.\*

Governors in 2006 described the best economic and budget conditions since this annual review of the state-of-the-state addresses was inaugurated in 2003. The vast majority of governors (84 percent) described economic conditions as good or improving, and nine governors pointed to employment levels at or near historic highs. Likewise, 82 percent of governors described state budgets projected to be in balance or with a surplus.

**Education.** The most commonly cited proposals to improve education centered around teacher quality and teacher compensation. Most of these focused on increasing teacher pay, including several proposals to institute performance-based compensation systems. In addition, 58 percent of governors described state initiatives to improve high schools, with most focusing on improving student preparation for college.

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\* Included in this analysis are state-of-the-state or budget addresses delivered and available on-line from January 1, 2006, to March 10, 2006, by the governors of 44 states and one territory (Puerto Rico). See source information at the end of this report for additional details.

**Health Care.** For the first time in their state-of-the-state addresses, a majority of governors (53 percent) in 2006 proposed wellness and health promotion programs. These proposals included state efforts to promote healthy habits, particularly in areas related to obesity, diet, exercise, and smoking. The National Governors Association (NGA), through the leadership of **Arkansas** Governor and NGA Chairman Mike Huckabee, has adopted an initiative promoting health and wellness during 2006.

**Economic Development.** To promote business growth, governors this year emphasized the importance of investments in statewide infrastructure, tax incentives and tax cuts for business, public-private partnerships for research, assistance with health insurance for small businesses, and workforce development reforms. As in previous years, governors continued to highlight incentives to assist both knowledge-based and traditional industries.

**Energy and the Environment.** This year, 69 percent of governors described initiatives to develop energy resources or promote energy efficiency and conservation, a sharp increase from last year. Compared with 2005, there was also more emphasis this year on the increased costs of energy—in the form of heating and gas prices—to the consumer. In addition, 64 percent of governors emphasized the importance of environmental, land, and natural resource planning and management to improve the economic climate and quality-of-life in their state.

**Taxes.** Eighty-two percent of governors discussed proposals for tax reductions for businesses or individuals.

## **State Economic and Budget Picture**

As in their 2005 state-of-the-state addresses, governors in 2006 continued to describe improved economic conditions in sharp contrast to the troubling economic challenges that states faced in 2003 and 2004. In their 2003 addresses, governors described severe revenue shortfalls that many traced to a persistent downturn in the national economy. In 2004, most governors said economic conditions in their state were improving, yet with state revenues lagging well behind outlays, most states still were struggling with deficits.

In 2006, however, 84 percent of governors (38 of 45) described their state's economic conditions as good or improving, about the same percentage (82 percent; 42 of 51) as in 2005.\* In 2006 in particular, most governors described significant improvements in the business climate, which led to advances in job growth and declines in unemployment.

In fact, nine governors—of **Alabama**, **Colorado**, **Florida**, **Idaho**, **Iowa**, **Kansas**, **Maine**, **Rhode Island**, and **Utah**—said their state was at or near historic highs for employment or historic lows for unemployment. For example, **Alabama** Gov. Bob Riley said, “Our unemployment rate is the lowest in recorded history.” **Colorado** Gov. Bill Owens said, “We’ve seen retail sales grow six percent, while employment this year is expected to set a Colorado record.” **Florida** Gov. Jeb Bush said, “After 40 consecutive months of job growth, we now have the lowest unemployment rate in the recorded history of our state.” And **Idaho** Gov. Dirk Kempthorne said, “No matter how you measure it, Idaho is

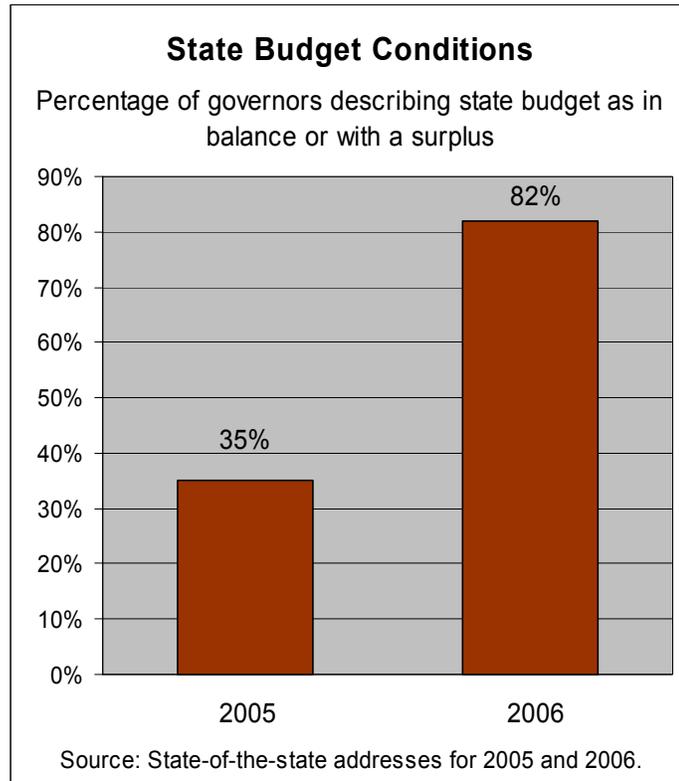
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\* Numbers in parentheses refer to state-of-the-state speeches. See source information for the number of governors who delivered addresses each year. Since the number of state-of-the-state addresses varies annually, the percentages reflect the percent of total speeches delivered that year.

thriving.” An additional six governors said their unemployment rates were among the lowest in the nation or well below the national average.

In one significant break from last year’s state-of-the-state addresses, governors in 2006 described state budget conditions sharply better than those they faced in 2005. Last year,

35 percent of governors (18 of 51) said they were working within a budget projected to be either in balance or with a surplus—a sharp increase from 2004. In 2006, more than twice as many governors (82 percent; 37 of 45) described state budgets projected to be in balance or with a surplus. As **Missouri** Gov. Matt Blunt said, “We have moved from a massive budget shortfall to the first surplus in five years.”



Several states, however, still face difficult economic conditions and budget choices. **Louisiana** in particular faces significant challenges in the aftermath of Hurricane Katrina. **Indiana, Michigan** and **Ohio** are working to transform and stabilize their industrial base. **California** Gov. Arnold Schwarzenegger said, “Although a strong economy has produced billions of dollars of unexpected revenues, we still face a structural deficit that will soon resurface.” Several other governors also expressed concerns about the long-term budget outlook for their state, due in particular to rising Medicaid expenses and increases in the costs of state pension and health plans.

Perhaps in light of this long-term perspective, governors emphasized the importance of fiscal responsibility in their 2006 addresses, cautioning against excessive spending they

said helped lead to record deficits in previous years. In line with this approach, many governors described the importance of setting priorities for their state. For example, **Nebraska** Gov. Dave Heineman said, “We must separate what we would like to do from what we need to do.” **Tennessee** Gov. Phil Bredesen said, “I believe that the way to success in any endeavor...is to find those two or three big things, that if you get them right, everything works.”

## **Education**

In this year’s state-of-the-state addresses, every governor stressed the overall importance of education to their state. As in past years, governors emphasized the role of education in advancing economic development (particularly in attracting research-based businesses to the state), improving workforce training, and helping residents succeed in finding high-paying and fulfilling work. Compared with previous years, the educational issue that stands out is teacher salaries. Perhaps in light of the improved economic conditions in 2006, a higher percentage of governors spoke in favor of increasing teacher salaries than in any year since these statistics began to be gathered in 2003. Other prominent issues include high school reforms and early childhood education.

**K-12 Teachers.** For the past three years, the most commonly cited proposals in education have sought to improve teacher quality and revise teacher compensation. In 2006, 64 percent of governors (29 of 45) described efforts in these areas—about the same percentage as last year. This year, the primary area of focus was on salary increases for teachers.

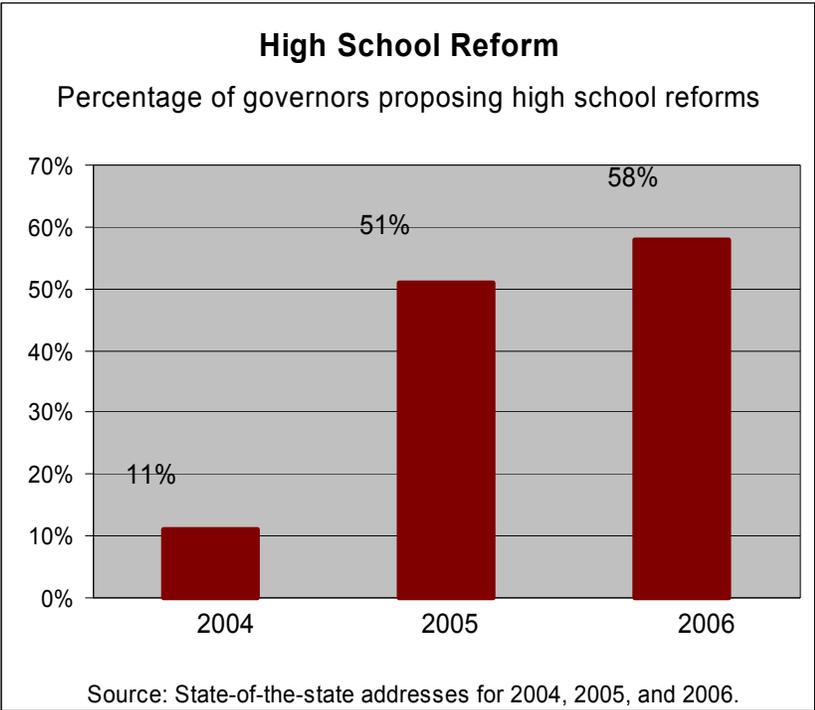
- **Teacher Compensation:** In 2006, 40 percent of governors (18 of 45) discussed the need to increase teacher salaries—a large increase from the 27 percent of governors (14 of 51) who did so in 2005.
- **Teacher Training:** This year, 29 percent of governors (13 of 45) addressed issues relating to teacher training and development, a decrease from the 35 percent (18 of 51) who did so last year. Efforts this year included, for

example, several mentoring programs for new teachers, a proposal to link teacher compensation to classroom-related professional development (**Kentucky**), and a proposal to require colleges of education to incorporate newly adopted state standards into their teacher preparation programs (**Ohio**).

- **Merit Pay or Pay for Performance:** This year, 24 percent of governors (11 of 45) called for plans to develop merit-based compensation systems for teachers, or incentives to attract teachers to high-need fields or low-achieving schools. This is a slight drop from the 29 percent (15 of 51) who discussed these kinds of plans last year.

**High School Reform:** In their 2006 addresses, 58 percent of governors (26 of 45) described education initiatives focused on high schools—an increase from the 51 percent (26 of 51) who did so last year and the 11 percent (5 of 45) who did so in 2004. The most common proposals centered around improving student preparation for college, with 36

percent of governors (16) discussing efforts in this area. Many of these proposals seek to ensure students complete more advanced coursework while in high school. Other reforms included efforts to increase high school graduation rates and implement small schools.



**Early Childhood Education:** In 2006, 51 percent of governors (23 of 45) supported or proposed programs to enhance early childhood education, up from the 43 percent (22 of

51) who did so in 2005. Several governors proposed expanding access to pre-school or full day kindergarten.

Governors also addressed the following issues regarding K-12 schools:

- **School Finance:** Sixty-two percent of governors (28) discussed school finance issues. This year, 33 percent (15) called for increases in funding for schools. This was a departure from the prominent theme last year, which focused on the need for broad reforms in the financing of schools. This year, several governors also emphasized the need to ensure the increased funding is spent “in the classroom,” for expenses such as textbooks, teacher training, technology, and programs proven to get results.
- **Educational Accountability:** This year, 42 percent (19) discussed accountability. As with last year, more governors highlighted the results of accountability structures (that is, improvements on test scores that the state’s students had made) than called for greater accountability of the schools.
- **School Choice and Charter Schools:** Thirty-three percent (15) supported efforts to promote and expand charter schools or pursue other options for increasing school choice—about the same percentage as last year.
- **Math/Science and Reading/Literacy:** Thirty-one percent (14) described programs to improve math or science skills, and 20 percent (9) described initiatives to improve reading skills.
- **Technology:** Twenty-seven percent (12) discussed programs to expand or improve technology for instructional purposes.

**Higher Education.** Continuing a trend from previous years, governors in 2006 emphasized the importance of higher education in improving economic opportunities for their states, communities, and residents. In 2006, 84 percent of governors (38 of 45) described plans to support or improve higher education—up from 80 percent (41 of 51) in 2005 and 71 percent (32 of 45) in 2004.

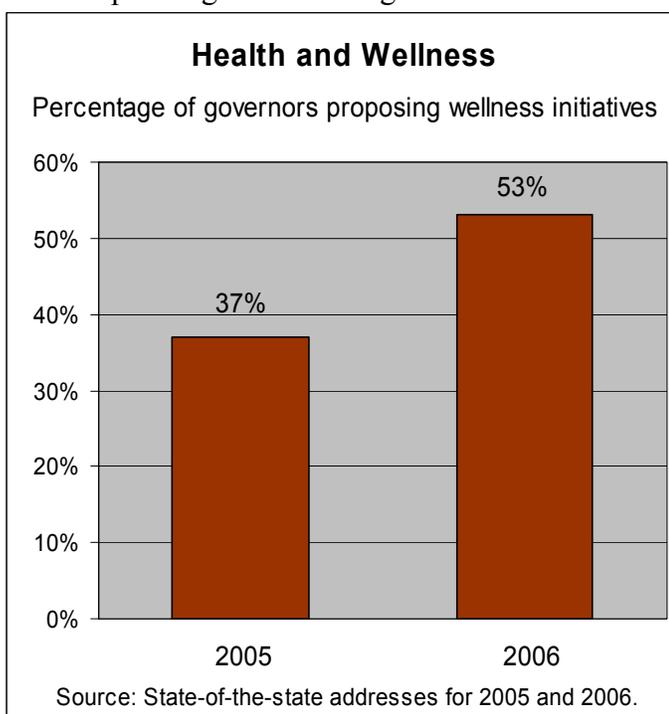
This year, 53 percent of governors (24) discussed efforts to improve access and affordability of higher education for state residents, primarily through increasing student financial aid but also through implementing tax credits for students and tuition caps for institutions. In addition, 38 percent of governors (17) called for increased funding for community colleges or colleges and universities.

## Health Care

Health care continues to be a high-priority issue—and a high-cost item—for states. Ninety-six percent of governors (43 of 45) discussed health care challenges in their 2006 state-of-the-state addresses, with the most pressing issues being health and wellness promotion, the rising costs of health care, prescription drugs, health coverage for children, and health coverage for the uninsured. In addition, more governors discussed health-technology issues compared with last year.

### Wellness and Health Promotion.

A majority of governors in 2006 adopted wellness and health promotion as a key health priority for their state.\* This year, 53



percent of governors (24 of 45) emphasized state efforts to promote healthy habits, particularly in areas related to obesity, diet, exercise, and smoking—an increase from 37 percent (19 of 51) in 2005. The National Governors Association (NGA), through the

\* Immunization programs, childhood health programs, and drug and alcohol prevention programs are not included in these wellness counts. Tobacco prevention programs are included except for proposals simply to raise taxes on cigarettes.

leadership of **Arkansas** Governor and NGA Chairman Mike Huckabee, has adopted an initiative promoting health and wellness during 2006.

- **Obesity and Inactivity:** The most frequently cited wellness programs sought to combat obesity and inactivity. Eleven governors described programs in these areas, including eight focusing on physical education in the schools and six promoting healthy activities among adults and children outside the schools.
- **Health Screenings:** Health screenings for school-aged children, newborns, and others also were mentioned frequently. Ten governors discussed proposals