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OFFICE OF THE GOVERNOR

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Gov. Steve Beshear

Mr. President, Mr. Speaker, distinguished members of the Kentucky General Assembly, Lt. Governor Mongiardo, Constitutional officers, honorable members of the Court of Justice, honored guests, including Kentucky's First Lady and my fellow Kentuckians ...

I stand here as your governor to report once again on the State of our Commonwealth, and I do so feeling both pride and resolve.

When I became governor two years ago, state government was broke.

Not just "broke," but "broken" – in every sense of those two words.

Financially. Functionally. And spiritually.

Kentucky's budget was a red-inked disaster.

Rivalries and rank partisanship had poisoned the ability of political parties and branches of government to work with each other.

And across this state, Kentuckians who invest tax money and trust in government had lost confidence that their elected leaders will use that investment wisely to make this a better place to live, work and raise a family.

In short, the people of Kentucky had concluded that the culture of state government had devolved into a culture of failure.

For the last two years I have fought to make government work again.

And I've done so by adopting two strategies.

First, I have established a new culture, one founded on integrity and accountability ... and we have pursued, day by day, a leaner, more efficient operation that holds sacred our families' hard-earned tax dollars.

And second, I have reached out to leaders of all parties and philosophies, bringing us together to realize that the problems we face are not Republican or Democratic problems but Kentucky problems.

These approaches have created indisputable success.

By cleaning up the Transportation Cabinet, strengthening ethics policies and creating a public Web site that tracks and explains spending, we have made government work again ethically.

By cutting nearly \$900 million in spending and reducing the executive branch by almost 1,600 employees, the smallest it's been in two decades, we have made government work again efficiently.

And with a mind-set of cooperation, we've made government work again for the people.

Six times the General Assembly and I have fixed budget shortfalls inflicted upon us by a national recession born of reckless spending in Washington and corrupt practices on Wall Street.

And we've done so in a thoughtful, strategic manner that has enabled us to protect the core mission of state government – even as other states have retreated from that mission.

To speed Kentucky's recovery from this recession, last summer the legislature and I overhauled our economic incentives program.

This improvement already is paying huge dividends. We have used it not only to recruit new businesses and jobs to Kentucky but also to help struggling Kentucky companies retain jobs.

I have also joined with the General Assembly to protect the pensions of our teachers, police officers and other public servants, as well as to move forward on critical bridge projects between Kentucky and Indiana.

The list of accomplishments goes on.

All of us – governor and legislator, Democrat and Republican – have played a role in these accomplishments.

We haven't always agreed. On many things, we still don't agree.

But we've developed a mutually respectful relationship which has allowed us to put aside rank partisanship and philosophical differences to focus on what's important: the future of Kentucky.

Tonight, in the midst of an economic recession of historic proportions, with conditions as bad as many of us have seen in our lifetimes, I pledge to Kentuckians from west to east that I will continue to operate in this spirit of cooperation.

And I call on every legislator in this chamber to join with me in this vow.

The respectful relationship we've developed is founded on our recognition of the difference between campaigning and governing.

There is a time for political combat. The collision of ideas and personalities that occurs during campaigns is a big physics experiment that most of the time produces the best leaders and focuses them on the most pressing problems.

But the American political system does not work unless – after the heat of the campaign is over – people of opposing philosophical belief can silence the voices of division and derision and work together for the good of the people they serve.

Yes, I've fought hard for my candidates, as political leaders of both parties nationwide have done for centuries.

And yes, come Feb. 2, I'll be fighting for the 24th House district candidate I deem will best help me move Kentucky forward.

But come Feb. 3, I will put the special election aside and work with the winner, no matter what party he is from.

And I fully expect others to do likewise.

The people expect it too.

After all, someone needing a job doesn't care whether it's a Republican job or a Democratic job.

Someone struggling to put food on the table doesn't look for a party label.

Someone trying to keep a roof over their family's head or send his or her children to college doesn't have patience for partisan bickering.

In these troubled times, Kentuckians need hope and they need help.

In the mountains, on the farms, in small towns, suburbs and cities, Kentuckians are frustrated.

Many are scared and desperate. Some are angry.

And all of us want to know how and when things are going to get better.

Now, our immediate future holds difficult challenges.

No rhetoric, no eloquence changes that reality.

In two weeks I will return to this chamber with a proposed two-year budget with stark numbers that leave little room for maneuvering.

We are facing a huge deficit that will require us to make painful decisions about where we spend money. It *will* require sacrifice and restraint.

We face this challenge even though it appears that our national economy is beginning to slowly improve. The unfortunate reality is that tax revenues are traditionally one of the last things to recover at the end of a recession.

But this challenge can be overcome.

I'm confident that together we can write and pass a balanced, biennial budget, as we are legally required to do, and that we can do so in a responsible manner.

And I'm confident that at the same time we can focus on the future by addressing fundamental problems impeding Kentucky's progress.

I did not become governor merely to solve budget shortfalls.

I became governor to better this state, to make sure that our children and grandchildren do not have to confront the same problems that our grandparents and parents faced and that, unfortunately, many of us still face.

I refuse to use this recession as an excuse not to move forward.

I refuse to hunker down and hide, to just wait out this storm and to passively accept the economic situation that others have created for us.

Kentucky is not alone.

Other states are facing similar revenue problems, and many are in worse shape. Many have undertaken radical solutions involving cuts to core priorities, mass layoffs and broad-based tax increases.

Because of fiscal restraint and strategic thinking in the early days of the recession, Kentucky is in better condition.

But our work has only begun.

Tonight, I want to discuss what we have been doing, and what we will continue to do, to not only pull Kentucky out of this recession but also to position it for future success.

The same four goals that I set for this state when I became governor will continue to guide my decisions.

- One, to create and retain jobs.
- Two, to help families survive this recession.
- Three, to find ways to attack the fundamental problems holding this state back.
- And four, to make government as lean, efficient and open as possible.

Now let me elaborate on those goals.

No. 1, jobs.

Nothing is more important to our economic recovery than creating and saving jobs.

For families, a job is the foundation for financial security.

For the state, jobs are the foundation for funding programs and services needed by our people.

Two tools have helped us tremendously.

Through strategic use of federal stimulus funds we have created or saved some 4,200 jobs that otherwise could have been lost.

This includes teachers and other school professionals, construction workers, correctional officers, child care providers, carpenters and truck drivers.

We will continue to use those funds wisely.

The other tool was the bipartisan overhaul of Kentucky's tax incentive programs, which I proposed and worked with the legislature to get passed last summer.

The new program streamlined and modernized existing business development tools, added flexibility, updated incentives, and improved our ability to nurture existing Kentucky businesses and reach out to smaller businesses.

The pay-off has been dramatic.

Between July and December, 66 projects were approved under the revised incentive programs, 44 of them were existing industries.

The December agenda of the Kentucky Economic Development Finance Authority – with 29 projects – was one of the largest agendas in a long time.

Those projects could create more than 1,135 jobs, save another 1,450 jobs and result in a capital investment of almost \$130 million.

In the last six months, General Electric announced plans to bring, for the first time in 25 years, not one but three new products to Louisville's Appliance Park, creating 830 new jobs.

In addition, we have announced:

- 22 new jobs at Summit Biosciences in Lexington.
- 106 new jobs at Kentucky Copper in Butler County.
- 100 new jobs at DEFENDER Direct in Newport.
- 35 new jobs and 182 saved jobs at MESA Foods in Louisville.
- 20 new jobs at Price Solutions in Greenup County.
- 460 jobs saved at Berry Plastics in Simpson County.
- 89 new jobs at Sazerac North America distilleries in Owensboro and Frankfort.
- 150 new jobs at Safetran Systems in Crittenden County.
- 100 new jobs at EQT in Pikeville.
- 200 new jobs at Presidium Inc. in Pulaski County.
- 203 jobs retained at National Office Furniture in Ohio County.

The list, as you can see, goes on and on.

And it's growing by the day.

Tomorrow I will be in Marion County to announce that we have been able to work with the Curtis Maruyasu (*Mary-ah-sue*) America company to retain 416 jobs in Lebanon.

The company is making an \$11 million investment in the state, an investment we helped elicit with the help of our new incentives program.

Together, these jobs announcements are tangible signs that the economic recovery has begun.

And they are the kind of successes we can have when we are aggressive and when we put aside differences to work together.

We also made Kentucky history this past year by attracting a national research facility that will put this state at the forefront of the push for a domestic supply of advanced battery technologies.

Finding ways to more efficiently power the cars of the future will help secure U.S. energy independence, reduce greenhouse gas emissions and strengthen the national economy.

I also sought to build on our automotive strength and our ties to Asia by again taking an economic development trip to Japan and China.

Just like last year the trip had an immediate payoff, with Hitachi Automotive Products' decision to invest more than \$20 million and add 100 jobs in Mercer County.

Also this year, we awarded a fourth round of funding to match federal grants that attract and support technology-based small businesses.

Even while we're strengthening our manufacturing and agricultural communities, we must foster growing efforts that push what I call the "I" words – ingenuity, imagination, innovation, invention and intellect.

This match has helped us do that.

Also in 2009, we began \$100 million of transportation and infrastructure projects in Hardin and Meade counties to help accommodate growth expected from the realignment at Fort Knox.

Known as BRAC, it will eventually create 5,000 new military and civilian jobs, many of them high-tech, upper-level professional and management positions.

Already, the realignment has created close to a thousand construction jobs.

Now more than ever, we must have a modern military to keep this country safe at home and abroad.

Kentuckians are a key part of that mission, not only with our military bases but through the Kentucky National Guard.

We have 400 members of the Guard overseas in places like Iraq, Afghanistan and Kosovo. Since Sept. 11, 2001, more than 12,000 Kentucky National Guard Soldiers and Airmen have deployed in defense of this country.

Seventeen of these men and women have died.

Our troops have been in the thick of the fight. The 201st Engineer Battalion, which returned last March, took part in 467 engagements with enemy forces.

And our Guard has done this in a year in which I ordered the largest call-up in history in response to last January's devastating ice storm.

Ladies and gentlemen, their courage and commitment demands our gratitude.

My second priority is to help beleaguered Kentucky families survive this economic upheaval with immediate, safety-net help.

Our approach has been multidimensional.

With help from the federal stimulus, we closed the deficit in our Medicaid program, allowing us to fully provide all benefits to the increasing number of Kentuckians who qualify for needed medical care during this recession.

To help those who can't find a job, we have aggressively supported the repeated extension of unemployment insurance benefits. And we have created a task force to return solvency to a program that – like those in most other states – has required us to borrow from the federal government.

That task force – composed of representatives of business and labor, as well as members of the House and the Senate – recently came forward with unanimous recommendations that I hope we can pass in this session.

To link families with assistance, we created a Web site detailing where to go for help.

Because prescription drugs are expensive, we helped seniors and needy Kentuckians secure, so far, over \$17 million worth of free and reduced cost prescription drugs.

We began a \$2.9 million overhaul of our food stamp program to get aid to families quicker.

And to help families avoid foreclosure and stay in their homes, the General Assembly and I created the Homeownership Protection Center.

The bottom line is that for two years I have been fighting for Kentucky's families, and I will continue to do so.

At the same time, I have been and will continue to find ways to invest in the future, to increase Kentucky's competitive capacity and to make progress on fundamental problems holding this state back.

When we emerge from this recession, Kentucky must emerge not shell-shocked and shattered but ambitious and able.

That is my third priority.

I've already discussed the substantial progress we are making in creating and maintaining jobs.

I also have been working diligently to make sure our children – all of our children, regardless of where they live – begin their early years better prepared for a life of promise.

Through my KCHIP initiative, we have brought health care coverage to more than 35,000 previously uninsured Kentucky children.

This is a fundamental change that will pay off in a myriad of ways, from better school performance to fewer chronic medical conditions.

We've done this not by expanding eligibility but by aggressively searching for eligible children and by making it easier for them to sign up.

To make our efforts even more effective, I will be pushing for us to remove the requirement that our poorest families pay a premium to participate.

Over 700 children a month lose KCHIP insurance because their families can't pay even a small premium. At a minimal cost to the state, we can remove that requirement and increase accessibility.

We've also begun a \$2 million initiative to improve dental care for children in our poorest counties. And we've created an Early Childhood Development and Education Task Force to streamline and tie together our existing programs.

Taking care of our children is not only a moral obligation but a long-term investment in the intellectual capital Kentucky must have to compete.

Another long-standing, costly problem for Kentucky continues to be our smoking rate, among the highest in the nation and directly responsible for \$1.5 billion in health-care costs.

The negative impact of our smoking rates – among adults, teens and pregnant women – has been tremendous.

Through various efforts, we've shown improvement – our smoking rate is now 25 percent instead of 28 percent.

But we can do more. We must do more.

Many smokers want to quit but need help to do so.

So I will be proposing to use Medicaid funds for smoking cessation programs.

We believe the long-term payoffs in reduced health care costs, fewer chronic problems for children, increased worker productivity and a better image for the state will be substantial.

One of the biggest and most important investments in our future has been our steadfast resolve throughout this financial crisis to protect education funding for our children. Despite \$900 million in cuts, we have maintained support for our teachers and students through the SEEK formula, and we must continue to do so.

Similarly, I've begun a new effort to re-energize our schools and gauge whether they're prepared for 21st Century challenges.

The Transforming Education in Kentucky initiative comes 20 years after our landmark reform effort and will weave together efforts to improve curriculum, dropout rates, graduation rates and teacher retention, including the requirements of Senate Bill 1 passed by this body last year.

We need a cohesive strategy for our schools.

As part of this effort I will be supporting legislation in this session to raise the dropout age.

Letting our children leave school early – in a world where more education, not less, is what is needed – denies them a chance for a bright and rewarding future.

Without education, many of our dropouts are doomed to mediocrity, or worse.

Let us commit ourselves to their success instead of enabling their failure.

We also need to continue pursuing a more affordable, more accessible and more efficient system of higher education.

I worked hard to hold down tuition increases this past year in an attempt to maintain our promising 10-year trends in undergraduate enrollment and degrees awarded.

But incremental improvement is not enough. Other states are not standing still. Our momentum must accelerate.

One thing we need to do is to make the transition between all of our institutions – our community and technical colleges as well as our four-year institutions – more seamless.

I will be supporting legislation that will pursue more formal cooperation, including the transfer of course credits for approved areas from KCTCS to our four-year public schools and among our four-year institutions.

One of the best ways to improve graduation rates and lower the cost of attending college is to help our kids move through the system as efficiently as possible.

The time for delays and red tape is over.

It is time to act.

A year and a half ago, I declared Kentucky's intention to become the Energy Capital of the Nation, and I unveiled a comprehensive seven-point strategy to move us in that direction.

Since then, we together have created an array of initiatives to further that goal, including conservation and efficiency measures and the potential for a viable alternative energy industry that relies on biomass and biofuels.

As part of our efforts, my agricultural policy team has developed numerous opportunities for Kentucky's farmers to participate in agri-energy projects.

Farms have long been a cornerstone of Kentucky's economy, and they will have an important place in our future.

I will also continue to vigorously support the production of Kentucky coal to fuel this nation's industrial might. Coal is critical to the security of our country, and it can be mined and will be mined in Kentucky in an environmentally acceptable and safe manner.

The safety of our citizens is also of paramount importance.

Last year I saved funding for a new state police class that put more troopers on the roads and in our communities.

By the way, for the first time since 1906, not one sworn peace officer was killed in the line of duty in Kentucky in 2009. We hope and pray we can say the same at the end of 2010.

Also this session we should look to strengthen laws related to domestic violence.

The tragic death of Amanda Ross, a state employee, has highlighted the need to look at the protections we offer victims of domestic abuse.

We must do better to protect all Kentuckians.

These goals – education, health care, public safety and employment opportunity – represent our core mission.

My fourth priority is to continue efforts to run a leaner, more efficient and more ethical state government.

Families across the Commonwealth are lowering the thermostat, foregoing a vacation, taking the bus, packing leftovers for lunch and suffering through an illness rather than going to the doctor.

In ways big and small, they're cutting expenses and stretching their dollars.

State government has been doing the same.

From restructuring bonds to cutting travel expenses to reducing mailing costs by increasing use of online documents, we've been operating more efficiently.

Through six budget reductions, including one just two days ago, we've cut \$900 million in spending and have the smallest number of executive branch employees in two decades.

Those employees who remain are working harder than ever.

But we need to do more.

Next week, I will unveil a new series of efficiency measures which will continue my commitment to making sure that every one of your tax dollars is spent wisely.

Yes, we are living in historic times, and this recession has shaken the confidence of many.

But my fellow Kentuckians, out of adversity can come opportunity – and that opportunity is ours to seize.

And I know we can do it.

When I came before this chamber last year, much of Kentucky was digging out from a huge snow and ice storm – one of the worst natural disasters in our history.

In my remarks then I shared stories of resiliency, fierce spirit and compassion for neighbors, stories I gathered while visiting struggling communities.

Let me tell you that the economic turmoil facing Kentucky today has been no less devastating.

But at the same time, the resiliency I've seen in my fellow Kentuckians has been no less awe-inspiring.

Yes, these are hard times, but the spirit and the strength of Kentuckians are what make us a special people.

And because of that, we not only can survive this economic turmoil, we *will* survive it.

And we can – and will – emerge stronger than before.

Thank you for the privilege of being your governor, good night, God bless you, and God bless the Commonwealth of Kentucky.

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