



STATE OF GEORGIA

OFFICE OF THE GOVERNOR

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GOVERNOR

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Charting the course to prosperity

In centuries long past ... in a world far removed from the one we know today ... the Age of Exploration captivated the minds of brave, young men. These individuals traveled through distant waters to identify the unknown, their will to explore outweighing the countless dangers, hardships and tragedies they faced. It is an age we now define by these names: Columbus, da Gama, Vespucci and Magellan.

These brave adventurers, with only primitive tools at their disposal, charted a course by looking to the stars for guidance. The nights were not always clear ... the waters not always friendly. For each man commanding a vessel on the high seas, there was always the temptation to give up and to turn back.

But we know these men today because they held steadfast to their course, leading them to discover new worlds and to expand the opportunities for mankind.

Georgians have charged us to set a course for our state and they have defined the stars that we must follow to expand opportunity: the star of education – we must provide great schools that will cultivate the minds of our young people ... the star of transportation – we must provide safe roads and avenues of commerce ... the star of security – we must give every Georgian the ability to live in a safe community ... and the guiding star in our constellation, jobs – we must create a business climate that provides Georgians with their best shot at a good job! These are the stars on which our eyes must be focused as we chart the course for our great state!

Tonight, I will discuss our course forward, but first, I think we would be well served to look in the rearview mirror for just a moment. The situation we faced one year ago and the progress we've made bears our attention.

One year ago, I said "the state of our state is strong" ... "that we possess a unique set of strengths" ... but we also faced an unusual and historic collection of challenges.

When we met on this occasion this past January, the Revenue Shortfall Reserve Fund, or the Rainy Day Fund as it is better known, had only enough money to fund state operations for less than two days ... meaning essential functions of government were at risk in the event of even the slightest hiccup. One year later, with your help, we have begun restoring the Rainy Day Fund. The balance today is \$328 million, an increase of 183%. I remain committed to building up this strategic reserve by keeping our spending in check.

When we met last year, we faced a difficult budget situation in which the low-hanging fruit and easy fixes were gone. And yet, we worked together to pass structurally balanced budgets that fund the essential services upon which Georgians depend. And we did it without new taxes. We have delivered commonsense, conservative budgets free of gimmicks and one-time gains. For that reason, we are now one of only eight states with triple-A ratings from the three major rating agencies. When compared to our AA peers, this credential of creditworthiness saved Georgia taxpayers \$11 million over the life of bonds sold last year alone.

This also provides us with a powerful tool for economic development. When a business considers locating in Georgia, it helps to be able to show them that they will be partnering with a state government that has its house in order!

To that end, beginning this year, we will implement zero-based budgeting in 10% of all programs. Through zero-based budgeting, we will bring a new level of accountability to state government and verify that taxpayer dollars are being spent to meet the priorities of Georgians!

When we met last year, we faced a federal district court ruling that threatened to cut off up to 85% of Metro-Atlanta's water supply. This evening, with the benefit of an 11th Circuit Appeals Court ruling overturning that decision, we are in a far stronger position to reach a lasting agreement with our peers in Alabama and Florida on an issue of critical importance to Georgia's ability to attract investment and new jobs.

One year ago, HOPE – arguably the nation's most generous merit-based, higher education scholarship and grant program – was on an unsustainable course and faced a complete depletion of reserves as early as FY 2013. This evening, we can claim a piece of legislation that preserves HOPE for future generations!

And for every student who earns HOPE, my budget for next year maintains the same award amount received this year.

Also, we will again appropriate \$20 million for the needs-based one percent student loan program which eases the burden of affording a college education. This year, more than half of these newly-appropriated funds went to students who had no assistance from their families.

Together, we've done something else over the past year. And while it is more general in nature, it is perhaps even more important to our ability to govern well and to the long-term prospects of our great state. Together, we have ushered in a new era of cooperation.

Last January, we were faced with a mountain ... Together, we climbed it. Thank you for your partnership and thank you for all that you do to serve Georgians!

But this evening, as we embark on a new year, we have other mountains to climb that will require our best collective efforts this year and beyond.

Recalling the great explorers who looked to the night skies in their search for new lands, the first star in our constellation is education. Our schools are the front line in our effort to create prosperity. It is here we make our most strategic investment in the future!

The Amended and FY 2013 budgets I've prepared take advantage of the stabilization in revenues and appropriate an additional \$146.6 million to fully fund enrollment growth in our K-12 schools.

Likewise, in both the technical college and university systems, I am calling for an additional \$111.3 million to fund anticipated enrollment growth.

Also, in keeping with the recommendations of the Education Finance Study Commission, and because we believe they are vital ingredients of the educational experience we provide young Georgians, my budget calls for \$3.7 million in additional funds for school nurses!

This along with the school nutrition program and transportation funding will be moved into the Quality Basic Education funding formula. These funds will be allocated using the same formula local districts are accustomed to, but they will have complete flexibility in how to spend them. Better than me, or anyone else under this Gold Dome, I believe local school leaders know how to spend funds within their district in order to get the greatest outcomes for students!

My proposed budget calls for an additional \$55.8 million to fund salary increases for our teachers based on training and experience. Unlike the past, there are no reductions to QBE, Equalization Grants, State Schools or other enrollment driven programs.

Within education, I have called for a new focus on our youngest learners. The budget I'm proposing increases the Pre-K school year for 84,000 students by 10 days, bringing it to 170 days. I am proud to say that this will allow us to begin restoring Pre-K teacher salaries!

We must make a concerted effort to increase the percentage of children reading at grade level by the completion of 3rd Grade. The best evidence tells us that children not meeting this standard often fail to catch up and are more likely to drop out of school, go to prison and have higher unemployment rates later in life than their reading-proficient peers.

Students must "learn to read" in order to be able to "read to learn" and when we fail to invest in our youngest students, we are forced to spend money on remediation for the remainder of their academic careers. To this end, my budget includes \$1.6 million for a reading mentors program. This program will assist schools and teachers as they work to help more young Georgians achieve this strategic benchmark – reading at grade level by the completion of 3rd grade.

You've heard me talk about moving beyond the status quo in education and that requires a more intense focus on innovation in the classroom. In particular, we need to put in place strategies that provide students with opportunities to practice and apply what they are learning in a high-quality, real-world environment. This is one reason we allotted nearly \$20 million of our Race to the Top money for the creation of an Innovation Fund. This initiative asks schools to partner with businesses, non-profits and postsecondary institutions and places a primary focus on developing applied learning opportunities. We are already seeing positive results. Tomorrow, I will announce the winners of round two.

To spur innovation, I am also recommending \$8.7 million in supplemental grants in both the Amended budget and next year's budget for state chartered special schools affected by the Georgia Supreme Court ruling on charter schools. These schools are key to Georgia's educational success and without these additional dollars, they would be forced to operate on approximately half of the funds of other public schools.

However, this is not the long-term solution, and I look forward to working with you to ensure that charter schools can thrive in Georgia. We can do this and with your help we will!

Further, we must clarify the mission of our schools. Let me state this very clearly: I believe students graduating from our high schools ... those young men and women who have done everything asked of them by our K-12 system ... should be fully ready for postsecondary study or a job!

Going forward, we will reclaim that mission by ensuring that there is a more seamless transition from High School to further study ... and from postsecondary study to the workforce.

With our young people facing a difficult job market and stiff global competition for good jobs, we must do everything in our power to ensure that our education system provides graduates with real opportunity. Our postsecondary institutions must maintain an intense focus on employability and creating job opportunities. And in today's competitive global environment where technology is constantly reshaping the economy, that means abandoning the "ivory tower" model and adapting to meet the needs of business.

That focus on practical education is why I'm announcing Go Build Georgia this evening. Go Build is a public-private initiative that will round out our workforce development program by educating young people and the public at large about the skilled trades.

Already, the business community is unable to fill many positions calling for highly-skilled industrial and commercial construction professionals, jobs that on average pay 27% more than the average Georgian currently brings home. And with an aging workforce in this area, we are on track to replace only one of every four retirees.

Today, in America, with more than 13 million people unemployed and seeking work, there are 1.3 million open positions in skilled trade industries for which companies are unable to find qualified applicants! Right here in Metro-Atlanta, Seimens has been unable to fill approximately

200 skilled-trade positions in the fields of manufacturing automation, healthcare technology, transportation systems and technical services. It is time we begin work to boost our pipeline!

We must work together to ensure that our state has the craft professionals to meet present and forecast demand. This is something we can do and with your help we will!

Here in Georgia, we are blessed with world-class university and technical college systems that provide opportunity to every young Georgian and provide business with a pipeline of talented workers. As we seek to continue improving higher education in this state, I want to commend Chancellor Hank Huckaby and the Board of Regents, along with Commissioner Ron Jackson and the Technical College Board, for performing a strategic consolidation of institutions. In this age of "doing more with less," you are delivering a better return on investment without compromising service to students.

Before leaving the topic of higher education, I want to announce two ambitious goals. Georgians deserve a world-class, public medical university, and it will be a priority of this administration to have a medical college among the top 50 nationally. This is something we can do and with your help we will!

Also within this push, the Georgia Health Sciences University will seek to become the state's second National Cancer Institute designated Cancer Center, alongside the Winship Cancer Center at Emory.

As of today, Georgia's annual death rate from cancer exceeds the national average, but I believe we have all of the ingredients necessary to be a destination for cancer research and a resource for every family battling this disease.

This designation would mean greater access to research dollars and enhance our ability to recruit top cancer specialists. Even more, it will place Georgians battling this horrific disease first in line for the newest, most promising therapies and clinical trials.

To support this goal of a second Georgia-based Cancer Center, my budget proposal includes an investment of \$5 million. This is something we can do and with your help we will!

In order to address the need for additional health professionals in Georgia, we have been investing in the expansion of undergraduate medical education for several years. We must now take the next step in this process by increasing the number of graduate residency slots.

My budget funds 400 new residency slots in hospitals across the state. Presently, because we lack adequate residency program capacity, Georgia taxpayers help fund a promising young Georgian's pre-K, K-12, postsecondary and graduate-level medical education only to see them perform their residency outside of our state and not return. That doesn't provide value for Georgians paying taxes. It doesn't make sense for Georgians needing care and it isn't fair to young Georgians looking to begin medical careers. We must ensure that no doctor trained in Georgia is forced to leave the state to complete his or her medical education. This is something we can do and with your help we will!

Another primary responsibility of government is providing infrastructure – and because it is a key building block of job creation, it is a star that will guide our course forward. In a global economy in which commerce is increasingly long distance and reliant on cutting-edge logistics, we need a bigger, smarter transportation network to move people and products in the most efficient way possible. That means roads on which traffic and freight move freely, ports that handle bigger ships, and airports that process people and packages more efficiently.

To reduce traffic congestion in Metro-Atlanta along Georgia 400, we will be working with the DOT to implement innovative traffic solutions. We will modify the existing southbound lanes from McFarland Road to the Chattahoochee River, allowing an additional southbound through lane. From the Chattahoochee River to I-285, we will implement flex shoulders in each direction.

These improvements will allow us to better facilitate traffic during peak rush hours, accommodating the explosive growth the Northern suburbs have experienced.

Recently, we called a halt to the P-3 project for the Northwest Corridor. While there were many reasons for doing so, one of the most important ones is that I was, am, and will be opposed to contracting away Georgia's sovereignty for a period of 60 to 70 years over a transportation corridor that is so vital to our future. I remain committed to improving the Northwest Corridor but there is a better way forward.

Investment in transportation infrastructure is an investment in our future. I applaud this Legislature's creation of a transparent, bottom-up approach to identifying critical transportation projects throughout Georgia. The regional referendums on this year's ballots give voters the opportunity to fund a slate of projects with a sales tax when they deem the proposed investment provides value. Over the last several decades, our capacity has fallen behind due to underinvestment in transportation.

We must seize this opportunity to invest in our future! We can do this and with your help we will!

We are continuing to work towards the completion of the Savannah Harbor Expansion Project – a project that is imperative to our state's competitiveness when the bigger ships start traversing an enlarged Panama Canal in 2014.

My budget for next year includes \$46.7 million in bonds to continue deepening the harbor, building on the more than \$136 million already approved for harbor deepening over the last three years.

Also within infrastructure, we are working to ensure every Georgia community has dependable water supplies. While we await the Army Corps of Engineers decision regarding the impact of water diversions from Lake Lanier, we are moving forward with plans to enhance water supply and security around the state.

Last year, we took definitive action to get the ball rolling. My budget for next year proposes \$45.7 million for water supply projects, the second installment in a four-year plan calling for \$300 million of new investment in water supply. Today, the Georgia Environmental Finance Authority has issued the solicitation and application forms for the Water Supply Program and local governments can now apply for the low-interest loans and state direct investment as detailed in the recently-approved Water Supply Plan.

I want to commend our Water Task Force for creating a thorough, forward-looking plan that makes sense for Georgia communities, big and small.

With our state's population projected to grow by an additional 4.6 million people over the next two decades, it is imperative that we expand water supply across the state. We must stop being so dependent on the federal government for our water. We must seize our own destiny! This is something we can do and with your help we will!

This evening, I have talked about the our duty as elected officials to do the long-term work of ensuring our state charts a course forward that leads to a rich environment of opportunity for every Georgian.

When those traditional building blocks fail, more and more citizens drift into the criminal justice arena. And here in Georgia, entrance into our criminal justice system has been a dead end for far too many.

Last year, faced with one of the most incarcerated populations in the nation, low rehabilitation rates and high recidivism; you joined me in passing legislation to create the Criminal Justice Reform Council. Since that time, the Council has taken a comprehensive look at what changes are needed to increase the effectiveness of our correctional efforts.

I want to commend the Council for the work they have done and my budget recommendations reflect their findings. To start, my budget proposes \$1.4 million to fund additional parole officers at the State Board of Pardons and Paroles. These officers will provide supervision to offenders who would otherwise serve their sentence and be released in our communities without any supervision.

Unless we provide the appropriate tools of supervision that facilitate a successful reentry into society, history has shown that offenders simply return to the prison population. Right now in Georgia, nearly one in three leaving our prisons are reconvicted within three years.

We must shut the revolving door! This is something we can do and with your help we will!

I am also recommending \$35.2 million for additional prison beds for those who pose a threat to our citizens. I am proposing to convert three Pre-Release Centers to Residential Substance Abuse Treatment centers, at a cost of \$5.7 million. We must make this investment ... If we fail to treat the addict's drug addiction; we haven't taken the first step in breaking the cycle of crime ... a cycle that destroys lives and wastes taxpayer resources! This is something we can do and with your help we will!

Because we are seeing an increased need for resources to work with violent youth offenders within our Juvenile Justice system, my budget includes funding to open a new Youth Detention Center, as well as funding for two security management and response teams.

I am also recommending \$10 million in next year's budget for the creation of new Accountability Courts – drug, DUI, mental health and veteran courts – all of which have proven to be both cheaper and more effective than traditional courts for those lower risk offenders falling under their jurisdiction. In fact, drug courts around this nation have proven to reduce recidivism by as much as 35%.

This evening, I want to tell you about a typical case that finds its way into a drug court. Sarah was a drug addict. The drug use that began as recreation resulted in a destructive cocaine and methamphetamine addiction. It took control of her life. At one point, she had no means of transportation ... she lost custody of her little girl ... she wound up homeless.

But I mention Sarah tonight because she exemplifies many of the goals we hold for our corrections system. Under the supervision of a drug court, piece by piece, she began rebuilding her life. With help, she beat addiction ... she won back her daughter ... she is now a sponsor helping other women who face the same trials ... and because she provides a powerful example of hope and redemption, I have asked her to join us in this chamber tonight.

Sarah and her daughter are here and I would be honored if you would give her a round of applause!

Sarah was given a shot a better life and she took it. Her story is not the exception ... it is playing out all across Georgia as people reclaim their lives through the work of accountability courts.

While these reforms require an initial investment, they will increase public safety, and ultimately save money by creating a more effective corrections system that rehabilitates people, closing the revolving door.

If we lock up an eighteen-year-old who has no skills and is unemployable; where will that individual be after completing a 15-year stint behind bars? Without a new approach that brings hope back into the equation, we will have spent \$270,000 and then have a 33-year-old with no skills who is more dangerous and even less employable than before. We can do better and with your help we will!

That is why we must focus on transforming our corrections system into a last resort of opportunity – a place where low-level offenders are reclaimed and restored to society as functioning members of the community ... working to support their own families ... and paying taxes!

This evening, I am calling on the religious community, non-profits and charitable organizations to begin addressing the problem of reentry. We need you and the people around this state who care to lead bold new efforts in job training and job placement for prisoners reentering society.

You can provide the bridge that will connect those who have served their time with a job and the dignity it provides! If they will do their part, and many of them will, we must do our part.

Let me be clear so that there is no misinterpretation – this is not a get out of jail free card. These reforms do not in any way diminish the seriousness of the seven deadly sins. If you commit one of these, you will spend time in our prisons. In fact, this transformation of our corrections efforts will ensure that we have the space and resources to incarcerate high-risk and violent offenders going forward.

First and foremost, the greatest need of our citizens is jobs and, for that reason, it is the last and brightest star in our constellation. Businesses require a talented workforce and strong infrastructure, but they also require a business environment that allows them to compete in today's global marketplace.

With that in mind, the Georgia Competitiveness Initiative pulled together business leaders and more than 4,000 Georgians across the state to develop a strategy that would improve our business case. And this morning, at the annual Eggs & Issues Breakfast, I outlined a three-part plan for strategic tax reform based on the work of the Initiative.

First, I am proposing the elimination of the sales tax on energy used in manufacturing, a move that will align us with many of our top competitors. This will have a dramatic impact on manufacturers' overall cost structure and vastly improve the competitive position of our producers.

Secondly, I am proposing sales and use tax exemptions for construction materials used in projects of regional significance, giving us an important tool when competing with other states for projects creating large numbers of jobs.

A third piece, we are proposing to restructure Georgia's Job Tax Credits and Quality Jobs Tax Credit programs. The programs now in place was created in 1994, at a time when the competitive landscape was far different than the one our businesses operate in today. We will modernize our job tax credits to better incentivize small business growth and to help every Georgia community compete with their regional peers.

My office is already working with House and Senate leadership to create legislation to this effect.

Georgians cannot compete for jobs that go elsewhere when employers make the decision that a neighboring state is a better place to do business. The job creators across this state have spoken and I ask all of you to join me in making these important changes. This is something we can do and with your help we will!

With a sluggish global economy we still face challenges, but we are beginning to see indications that things are stabilizing. Georgia's revenues trends have strengthened over the last 18 months and with sustained growth of this order, I believe real job creation is much closer than it was

when we met on this occasion one year ago. Ladies and gentleman, the state of our state is strong!

In keeping with our mission to chart a course that fulfills the priorities of Georgians, we will follow these stars: providing strong, innovative schools geared for the modern marketplace ... providing practical tools for workforce development ... providing a modern infrastructure that moves people and products efficiently ... providing safe communities ... creating a business-friendly environment that attracts investment and puts Georgians in the best possible position to get a good job.

And when we have fulfilled these imperatives – which are the legitimate purposes of government – let us heed the admonition of Georgians who have asked us to do these few things well, and then to get out of the way so that they can live their lives in freedom and as they see fit!

If we do this, hardworking, self-reliant Georgians will propel our state into a prosperous future!

Thank you, and may God continue to bless this great state and our nation!