Politics
The political party of state chief executives remained relatively constant from 2013 to 2014. Republican governors lost ground by one after Virginia elected a Democrat; 29 states now have GOP governors. The number of states with Democratic governors increased by two—to 21—with Virginia Gov. Terry McAuliffe’s election and Rhode Island’s Gov. Lincoln Chafee changing his party registration from Independent to Democrat.

State legislatures continue to be Republican dominated; this party controls both houses in 26 state legislatures, compared to 17 controlled by Democrats. Republicans have majorities in 28 state houses and 29 state senates, while Democrats have majorities in 21 state houses and 19 state senates. Governors in 13 states work with a legislature that is either controlled by the opposite party or split across houses. State government political party balance in the states, however, has the potential to change dramatically in November 2014, when elections for governor will be held in 36 states. Twenty-two governor’s offices now held by Republicans and 14 held by Democrats will be on the ballot.

Republicans retained control of both the executive and legislative branches of government in 23 states, while Democrats control both branches in only 14 states. Party control of the states in 2014 includes:

- One with a Republican governor,
  Republican House and Democratic Senate;
- Four with a Republican governor
  and a Democratic legislature;
- Two with a Democratic governor
  and a Republican legislature;
- Four with a Democratic governor,
  Democratic House and Republican Senate;
- One with a Democratic governor,
  Republican House and split Senate; and
- 14 with a Democratic governor and legislature.

State Tax Collections
and Spending Forecast
According to Chris Mai, Research Assistant at the Center on Budget Priorities and Analysis, new data from the U.S. Census Bureau indicate that for the first time since 2008, total state tax collections rose above their prerecession levels by 0.4 percent. Yet, despite the good news, state revenue growth remains sluggish in 2014.

Senior Policy Analyst Lucy Dadayan and Senior Fellow Donald Boyd of the Nelson A. Rockefeller Institute of Government, who analyze U.S. Census Bureau data, found state tax collections in the third quarter of 2013 were up by 4.8 percent when compared to the same quarter in 2012, after adjusting for inflation. Revenue growth slumped to a slower rate in the fourth quarter of 2013, however. Dadayan and Boyd concluded the real increase in
The Book of the States 2014

The National Association of State Budget Officers, also known as NASBO, concurs with Dadayan and Boyd that state tax revenues will grow in 2014, though NASBO projects a dramatically slower rate of increase. NASBO estimates state government general fund revenues will increase by just 0.8 percent in 2014.7

In spite of the slow and uncertain nature of the economic recovery a full five years after the end of the Great Recession, most states find their budgets to be a bit more robust. Total state tax revenues have risen above their peak 2008 levels and a 16th consecutive quarter with increased state revenues bodes well. NASBO estimates state government general fund spending will increase by 3.7 percent in 2014, making this the fourth straight year of general fund spending growth.8

A Stabilizing of the Executive Agenda

Governors use their state of the state speeches to present their preferences, their ideologies and to advance their budget and policy priorities for the upcoming fiscal year or biennium. Issues addressed in these speeches have been characterized as cyclical, perennial and/or temporal.9 Perennial issues considered by American state chief executives include education and transportation; those that are cyclical have included tax reduction and government performance. Those that might punctuate interest in a given year—or temporal—may be related to cataclysmic events, such as a natural disaster, an act of terrorism or a major breech of ethics by government officials.

Table A: Issues Expressed by Governors in State of the State Addresses, 2010–2014

<table>
<thead>
<tr>
<th>Issue expressed by governors</th>
<th>2010 percentage of governors mentioning the issue (N=42)</th>
<th>2011 percentage of governors mentioning the issue (N=47)</th>
<th>2012 percentage of governors mentioning the issue (N=43)</th>
<th>2013 percentage of governors mentioning the issue (N=49)</th>
<th>2014 percentage of governors mentioning the issue (N=42)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>90.5%</td>
<td>93.6%</td>
<td>95.3%</td>
<td>100.0%</td>
<td>95.2%</td>
</tr>
<tr>
<td>Economic development/jobs</td>
<td>88.1</td>
<td>87.2</td>
<td>90.7</td>
<td>77.6</td>
<td>83.3</td>
</tr>
<tr>
<td>Health care</td>
<td>57.1</td>
<td>72.3</td>
<td>55.8</td>
<td>79.6</td>
<td>73.8</td>
</tr>
<tr>
<td>Safety/corrections</td>
<td>54.8</td>
<td>38.3</td>
<td>55.8</td>
<td>67.3</td>
<td>73.8</td>
</tr>
<tr>
<td>Tax/revenue initiative</td>
<td>83.3</td>
<td>70.2</td>
<td>81.4</td>
<td>71.4</td>
<td>66.7</td>
</tr>
<tr>
<td>Natural resources/energy</td>
<td>73.8</td>
<td>44.7</td>
<td>65.1</td>
<td>57.1</td>
<td>59.5</td>
</tr>
<tr>
<td>Surplus/deficit/rainy day funds/reserves</td>
<td>73.8</td>
<td>34.0</td>
<td>60.5</td>
<td>32.7</td>
<td>54.8</td>
</tr>
<tr>
<td>Transportation/roads/bridges</td>
<td>50.0</td>
<td>46.8</td>
<td>48.8</td>
<td>46.9</td>
<td>50.0</td>
</tr>
<tr>
<td>Performance/accountability</td>
<td>73.8</td>
<td>83.0</td>
<td>55.8</td>
<td>30.6</td>
<td>33.3</td>
</tr>
<tr>
<td>Local government</td>
<td>11.9</td>
<td>17.0</td>
<td>25.6</td>
<td>14.3</td>
<td>26.2</td>
</tr>
<tr>
<td>Transparency</td>
<td>14.3</td>
<td>2.1</td>
<td>25.6</td>
<td>12.2</td>
<td>26.2</td>
</tr>
<tr>
<td>Pensions/OPEBs</td>
<td>19.0</td>
<td>36.2</td>
<td>32.6</td>
<td>18.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Debt reduction</td>
<td>0.0</td>
<td>8.5</td>
<td>7.0</td>
<td>6.1</td>
<td>16.7</td>
</tr>
<tr>
<td>Ethics reform</td>
<td>26.2</td>
<td>8.5</td>
<td>7.0</td>
<td>16.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Borders/illegal immigrants</td>
<td>4.8</td>
<td>8.5</td>
<td>11.6</td>
<td>8.2</td>
<td>7.1</td>
</tr>
</tbody>
</table>
| Number of issues considered by 2/3 or more of governors | 6 | 5 | 3 | 5 | 5 | Sources: Content analysis of 2010 state of state addresses conducted by Soyoung Park, Ph.D. candidate, Public Policy and Scott Allen, MPA candidate; content analysis of 2011 state of state addresses conducted by Byungwoo Cho, MPA candidate; content analysis of 2012 state of state addresses conducted by Megan Phillips, MPA candidate and Sarah Beth Gehl, Ph.D. candidate, Public Policy; content analysis of 2013 state of state addresses conducted by Sarah Beth Gehl, Ph.D. candidate, Public Policy; content analysis of 2014 state of state addresses conducted by Keegan Smith, MPA candidate, all students of the Andrew Young School of Policy Studies, Georgia State University, Atlanta, Georgia.
On the other hand, governors’ interests vary over time and can be impacted by context, gender and political party—so much so that cyclical or temporal issues may become perennial ones. Table A presents analysis of governors’ state of state speeches for the past five years, indicating the proportion of governors mentioning various issues as relevant to their budget and policy agendas going forward. Examining Table A, education, transportation and jobs indicate as perennial issues—generally, the proportion of governors concerned with these issues remains about the same every year. Interest in economic development and jobs declined in 2013, but has rebounded this year. Concern about taxes illustrates cyclical interest. Interest in budget balance—governors’ concerns about managing deficits, rainy day funds and reserves—represents a temporal issue, as does interest in performance and accountability, transparency and ethics reform. Gubernatorial interest in energy and natural resources and state pensions seem to be becoming perennial issues, as similar proportions of governors have expressed interest in these issues for the past several years. Several issues have noticeably spiked gubernatorial interest in 2014, including budget balance and reserves, local government, transparency and debt reduction.

In terms of the expanse of gubernatorial agendas, state chief executives seem to have maintained respect for the new normal of state finances. Two years ago, two-thirds of governors were focusing on just three issues—education, jobs and taxes—when promoting their budget and policy agendas. In 2013, two-thirds of governors indicated interest in five issues, with health care and safety and corrections included with the top three from the previous year. By this year, these same five issues—education, jobs/economic development, taxes, health care and safety/corrections—were considered by at least 66 percent of governors in their speeches.

### Taxes, Jobs and Fiscal Discipline

Most governors discussed taxes and jobs in 2014. Talk of taxes frequently covered governors’ ideas for offering tax relief, credits or exemptions. Not a single governor, Republican or Democrat, proposed a tax increase in 2014. Governors in Kentucky, New Hampshire and New York proposed or discussed the possibility of new gaming revenues. The most partisan issue in this year’s speeches seemed to focus on jobs and, particularly, the minimum wage. That is, while a majority of Democratic governors in this year’s state of the state addresses proposed or discussed a minimum wage increase, not a single Republican governor mentioned increasing the minimum wage. Out of the 17 Democratic governors giving state addresses through March 2014, nine advocated for a minimum wage increase.

The greatest spike in governors’ attention to specific issues this year appeared related to budget balance, rainy day and reserve funds. More than half the governors—55 percent—brought up balance and these funds in their speeches, up 22 percent from last year. State chief executives seem to be heeding the conclusion Research Director Barb Rosewicz and Associate Alex Boucher of the Pew Charitable Trusts who found that the latest revenue growth “represents a milestone but falls short of erasing the recession’s effects.” Governors generally discussed state finances in terms of protecting long-term fiscal health, paying for infrastructure needs and/or to promote tax relief. Alaska Gov. Sean Parnell and Maryland Gov. Martin O’Malley expressed concern about maintaining a strong credit rating. Michigan Gov. Rick Snyder was encouraged about “some pretty good deposits” made into his state’s rainy day fund, but chided, “the balance is not what it should be.” South Dakota Gov. Dennis Daugaard confirmed the state’s budget surplus of the past two years when calling for a change in how surpluses are used:

> “Under my proposal, the first priority for surplus funds will be to keep our rainy day funds at 10 percent of general fund appropriations for the year that just ended. Once that is met, the second priority will be to automatically pre-fund Building South Dakota, so that the program will always be funded at least one year in advance.”

California Gov. Jerry Brown referred to the Bible in an ardent expression for fiscal discipline in his state:

> “Boom and bust is our lot and we must follow the ancient advice, recounted in the Book of Genesis, that Joseph gave to the Pharaoh: Put away your surplus during the years of great plenty so you will be ready for the lean years which are sure to follow. ... Fiscal discipline is not the enemy of our democracy but its fundamental predicate. To avoid the mistakes of the past we must spend with great prudence and we must establish a solid rainy day fund, locked into the Constitution.”

Governors’ hesitancy in declaring a full-on economic comeback is evidenced in the fact that almost 17 percent specifically mentioned debt reduction in
GOVERNORS

2014, compared to just 6.1 percent bringing up this issue in 2013. Also, 21 percent of governors brought up state employee pensions this year, compared to 18 percent last year. Discussions of state retirement benefits by governors—including Alaska’s Parnell and Connecticut’s Dannel Malloy—centered on paying down these long-term pension obligations. Also, Oklahoma Gov. Mary Fallin discussed movement of new hires from “an outdated, mid-20th century pension system and to the more portable and flexible 401(k)-style benefits used in the private sector.” Other governors simply recognized current state government pensions as a hurdle to progress. New Jersey Gov. Chris Christie, for example, explained:

“We have discussed many exciting opportunities for investment in our state. K–12 education. Higher education. Crime prevention. Drug rehabilitation and job training. Health care. Infrastructure investment. Lower taxes. Job growth. All exciting, all of which, done responsibly, could make New Jersey an even greater place. But here is the simple truth. We cannot afford to do it right now. Why? Because of our pension and debt service costs. For the fiscal year 2015 budget, the increase in pension and debt service costs could amount to as much as nearly $1 billion. That’s nearly $1 billion we can’t spend on education, … infrastructure improvement, … to put more cops on the street, … to improve access to health care. These are the consequences of failing to engage in an attitude of choice. If we continue in an era where we believe we can choose everything, we are really choosing nothing.”

Malloy in Connecticut discussed changing the tax-exempt status of pensions for teachers specifically, while his counterparts in Hawaii, Neil Abercrombe, and Iowa, Terry Branstad, discussed changing that status for low-income seniors and military veterans, respectively.14

Strategic Education Spending

Education maintains its top spot of interest by governors, in keeping as a perennial issue. Republican and Democratic governors alike focused on increasing funding for early childhood education. Fourteen governors—those in Alabama, Connecticut, Georgia, Indiana, Kentucky, Maryland, Michigan, Missouri, New Mexico, New York, Ohio, Pennsylvania, Vermont and Virginia—proposed expanding their state’s pre-kindergarten programs, while six more—in Delaware, Hawaii, Illinois, Massachusetts, New Jersey and Washington—joined with their proposed initiatives related to all day kindergarten and other K–5 programs. These governors, like Missouri Gov. Jay Nixon, argued increasing funding in early childhood education can be considered an investment opportunity and form of economic development. “We need to start early,” Nixon said. “Parents and teachers see it every day; the first few years of a child’s development have an impact that lasts a lifetime. A child who starts kindergarten ready to learn, is more likely to succeed in school, go to college, and get a good job.”

Some governors proposed initiatives to invest more in dual-credit high school programs, including Malloy, who suggested Connecticut create, “early college initiatives, which would allow students to earn college credit during high school.” Governors in Alabama, Delaware, South Dakota, Tennessee and Wisconsin proposed using scholarships and state funds to buy down the financial cost of such dual-credit opportunities for high school students. Arizona Gov. Jan Brewer proposed a performance-based funding program for K–12 schools that is a rebranding of her 2013 initiative to incentivize improved student performance and success.15

Other governors approached education advancements differently. Indiana Gov. Mike Pence said teachers, too often, are left out of school choice debates. He recommended teachers be able to work wherever they choose, noting, “any public school teacher who feels called to serve in a low-performing school or a public charter school serving low-income students should have some of their compensation protected if they are willing to make the move. Let’s let our teachers follow their hearts, and go where they think they can make the most difference.”16

Governors’ consideration of higher education this year emphasizes the importance of a well-educated public for a strong economy and, in particular, keeping college tuition low to support broad access. A dozen governors—those in Alaska, Georgia, Idaho, Indiana, Kansas, Kentucky, Michigan, Oklahoma, South Dakota, Tennessee, West Virginia and Wisconsin—proposed expanding funding for technical schools and increasing support to students who enroll in them. For example, Georgia Gov. Nathan Deal proposed two new state grants for students enrolling in these schools. Deal’s proposal includes a Strategic Industries Workforce Development Grant, which focuses on
Concern for Local Government

State chief executives presented concerns about their local governments—considering supportive funding measures, restructuring and/or constricting or advancing local autonomy. Some governors, like Wyoming Gov. Matt Mead and Massachusetts Gov. Deval Patrick, advocated for increased state funding of local government development and capital projects. On the other hand, Nebraska Gov. Dave Heineman suggested Nebraska’s high local property tax rates have resulted from too much local authority for raising revenues. He is interested in reining in the fiscal autonomy of local governments, indicating his frustration that “the Kearney City Council decides Kearney’s property tax rates, not Senator Hadley, even though he is the chair of the Revenue Committee. The Lincoln Public School Board sets the property tax rates for LPS, not Senator Sullivan, even though she is the chair of the Education Committee.”

Christie proposed lowering property taxes in New Jersey by making it easier for local governments to operate like a business. Christie suggested, “we need to have an effort that includes everyone responsible for property taxes—the senate, the assembly, our administration and local government to provide local government with the authority to run their governments like a business: consolidate, share services, cut duplication and ultimately actually reduce property taxes.” New York Gov. Andrew Cuomo offered some middle ground to the approaches offered by Heineman and Christie, pointing to the importance of allowing local governments to consolidate on their own accord, but said the state should incentivize cities to make such decisions by tying the state property tax credit to local performance.

New Ventures

Governors considered many other issues this year. Vermont Gov. Peter Shumlin talked almost exclusively about the state’s heroin epidemic, only mentioning health care plans and educational initiatives that were focused on combating this scourge on state progress in his address. Fifteen governors discussed their initiatives focused on veterans. New Mexico Gov. Susana Martinez pressed for building local veterans’ cemeteries to honor the service to the country and state of fallen men and women. West Virginia Gov. Earl Ray Tomblin called for providing temporary licensure options for military spouses to support entrance into the workforce and programming to help homeless veterans. Abercrombie in Hawaii and Cuomo in New York advocated support for the homeless, while Indiana’s governor promoted adoption. “Let’s make it our aim to make Indiana the most pro-adoption state in America,” Pence said.

Several governors advanced human rights. Nixon in Missouri pressed for an end to discrimination against lesbian, gay, bisexual and transgender residents. McAuliffe in Virginia talked about his efforts to prohibit “discrimination in state government on the basis of sexual orientation and gender identity.” New Hampshire Gov. Maggie Hassan asked for equal pay for women. Many governors sought to distance themselves from politicians and politics in Washington, D.C. Fifteen governors, from both parties, mentioned the partisan gridlock that has stalled budget and policy progress on the national front and juxtaposed their states’ efforts to progress in spite of this.

A few governors ventured into relatively novel areas, at least in recent speeches. Mississippi Gov. Phil Bryant suggested a Performance Art and Creative Economy Initiative that would comprise a state homecoming focused on artists and their work that “provides some 60,000 jobs and generates an enormous economic impact in our state.” Chafee in Rhode Island enthused about expanding historic tax credits, $10 million to create an event center to host world-class sailing events, $35 million in bonding to “support our arts, culture and historic assets.” $1 million in general revenue to support the arts, a “new Creative and Cultural Director,” and reorganization of the state’s arts council and film office, all with the idea of creating Rhode Island as the “State of the Arts.”

Conclusion

In 2014, governors largely seemed content to hold their ground, as two-thirds of them considered the same five issues this year as last year—education, jobs, taxes, health care and public safety. Although state tax revenues have risen above their pre-recession peaks, timid projections about future economic growth seems to have pushed governors to stress frugality; more of them are talking about pensions, debt reduction and budget balancing this year than last year. Governors mentioning any surpluses call for their strategic use to shore
Governors report annually or biennially to their legislatures regarding the fiscal condition of their state, commonwealth or territory. They often use their address to lay out their policy and budget agendas for their upcoming or continuing administration. The 2014 state of the states addresses were accessed from Jan. 1–March 25, 2014, via state addresses were accessed from Jan. 1–March 25, 2014, coming or continuing administration. The 2014 state of the states—sluggish recovery continues/on April 4, 2014, via: on March 24, 2014 via to lay out their policy and budget agendas for the year. Governor needed to relay that the function, activity or issue is an important item in next year’s—fiscal 2015—budget and policy direction. Just mentioning a state function or policy area like health care in a speech did not classify the issue as an agenda item addressed by a governor. Further, a review by a governor of his or her past accomplishments in any particular issue area did not count in this content analysis.

Notes

1 Governors report annually or biennially to their legislatures regarding the fiscal condition of their state, commonwealth or territory. They often use their address to lay out their policy and budget agendas for their upcoming or continuing administration. The 2014 state of the states addresses were accessed from Jan. 1–March 25, 2014, via www.nga.org, www.stateline.org, www.nasbo.org or the state government’s homepage. This research considers the 42 states with transcripts available at these sites as of March 25, 2014. Governors from Arkansas, Montana, Nevada, North Carolina, North Dakota and Texas did not give state of state addresses this year. Speeches not available by this date were those of the Oregon and Minnesota governors. All quotes and data presented here are from the addresses accessed on these websites, unless otherwise noted. To conduct a content analysis of governors’ state of state addresses, as in the past, topics were considered addressed if the chief executive specifically discussed them as relevant to state operations and the budget going forward. The governor needed to relay that the function, activity or issue is an important item in next year’s—fiscal 2015—budget and policy direction. Just mentioning a state function or policy area like health care in a speech did not classify the issue as an agenda item addressed by a governor. Further, a review by a governor of his or her past accomplishments in any particular issue area did not count in this content analysis.


8 Dadayan and Boyd, 2014.


10 NASBO, 2013.


14 Wogan, 2014.


16 Kardish, 2014.

17 Kardish, 2014.

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Keegan Smith is a graduate student in the master of public administration program in the Department of Public Management and Policy at Georgia State University in Atlanta. Katherine Willoughby is professor of public management and policy in the Andrew Young School of Policy Studies at Georgia State University in Atlanta. Her research concentrates on state and local government budgeting and financial management, public policy development and public organization theory. She has conducted extensive research in the area of state and local government budgeting, with a concentration on performance budgeting and management.