

The State of the State Addresses: Governors in the Hot Seat¹

By Katherine Willoughby

In this presidential election year, many state government chief executives found themselves in the proverbial “hot seat.” Some had to deal with a precipitous drop in state revenues and so broached taboo topics in their state of state speeches, like painful cuts or new taxes. Others deflected criticisms related to religious liberty bills or defended themselves in the face of gross state mismanagement and ineptitude or even moral lapse. In light of a still sluggish economy and the caustic election climate, state chief executives, for the most part, keep their addresses short and focused. On average, governors addressed fewer issues than in the recent past. Also, the average number of topics addressed by at least two-thirds of governors dropped by half to two, from an average of four, evidenced over the last six years—that is, at least 66 percent of governors outlined their education and jobs agendas.

Still Red and Wary

Politically, U.S. state governments remain overwhelmingly under GOP executive control, with 31 Republican governors, 18 Democratic governors and one Independent (Alaska).² Like last year, control of state legislatures is overwhelmingly red, too. Republicans control both chambers in 30 legislatures compared to 11 Democratic legislatures. The number of states (22) controlled in both branches by the GOP reduced by just one with the 2015 elections—Democratic Gov. John Bel Edwards replaced his Republican predecessor, Bobby Jindal, in Louisiana. Only seven states are entirely blue—with a Democratic governor and legislature—the same as in 2015. Republicans have majorities in 33 state houses and 35 state senates, while Democrats have majorities in 16 houses and 14 senates.³ Party control of the states in 2016 includes:

- Twenty-two with a Republican governor and Republican legislature;
- One with a Republican governor and a unicameral, nonpartisan legislature;
- Two with a Republican governor, Republican house and Democratic senate;
- Two with a Republican governor, Democratic house and Republican senate;
- Four with a Republican governor and a Democratic legislature;
- One with an Independent governor and a Republican legislature;
- Seven with a Democratic governor and a Republican legislature;

- Three with a Democratic governor, Democratic house and Republican senate;
- One with a Democratic governor, Republican house and Democratic senate; and
- Seven with a Democratic governor and Democratic legislature.⁴

Fiscally, 2015 ended pretty nicely for states with stable tax revenue growth. On the other hand, the forecast going forward is weak, with such growth expected to slow now and well into 2017.⁵ Price dives of oil and coal have required painful introspection on the part of states heavily dependent upon these resources. That is, governors in oil- and mineral-dependent states including Alaska, Louisiana, New Mexico, Oklahoma, West Virginia and Wyoming could not hide the murky, undoubtedly uncomfortable road ahead when addressing their states’ residents.⁶ “Total tax revenues for these states [and including North Dakota and Texas] have declined by 3.2 percent, while the remaining 42 states have reported 6.5 percent growth in total tax revenues.”⁷

Gubernatorial Agendas in 2016

Research pointed to in last year’s assessment indicated that governors’ words matter in their addresses and not only for successfully navigating budget and policy agendas through state legislatures.⁸ The tone, focus, level of enthusiasm and truthfulness of these leaders’ words has the power to energize citizens and spur investment. This year offers a mixed bag in terms of tone. Many governors offered upbeat talks,

Table A:
Issues Mentioned by Governors in State of the State Addresses, 2011–2016

<i>Issue expressed by governors</i>	<i>2011 percentage of governors mentioning the issue (N=47)</i>	<i>2012 percentage of governors mentioning the issue (N=43)</i>	<i>2013 percentage of governors mentioning the issue (N=49)</i>	<i>2014 percentage of governors mentioning the issue (N=42)</i>	<i>2015 percentage of governors mentioning the issue (N=44)</i>	<i>2016 percentage of governors mentioning the issue (N=43)</i>
Education	93.6%	95.3%	100.0%	95.2%	90.9%	88.4%
Economic development/jobs	87.2	90.7	77.6	83.3	81.8	72.1
Health care	72.3	55.8	79.6	73.8	59.1	65.1
Safety/corrections	38.3	55.8	67.3	73.8	63.6	62.8
Tax/revenue initiative	70.2	81.4	71.4	66.7	72.7	62.8
Natural resources/energy	44.7	65.1	57.1	59.5	61.4	53.5
Transportation/roads/bridges	46.8	48.8	46.9	50.0	68.2	48.8
Performance/accountability	83.0	55.8	30.6	33.3	56.8	39.5
Surplus/deficit/rainy day funds/reserves	34.0	60.5	32.7	54.8	36.4	32.6
Local government	17.0	25.6	14.3	26.2	36.4	30.2
Pensions/OPEBs	36.2	32.6	18.4	21.4	4.6	18.6
Transparency	2.1	25.6	12.2	26.2	11.4	9.3
Ethics reform	8.5	7.0	16.3	14.3	20.5	7.0
Debt reduction	8.5	7.0	6.1	16.7	6.8	7.0
Borders/illegal immigrants	8.5	11.6	8.2	7.1	6.8	4.7
Average # of Issues Mentioned by Governors	8	7	6	7	7	6
# Issues Mentioned by ≥66% of Governors	5	3	5	5	4	2

Sources: Content analysis of state of state addresses conducted by Byungwoo Cho, MPA candidate (2011); Megan Phillips, MPA candidate and Sarah Beth Gehl, Ph.D. candidate, Public Policy (2012); Sarah Beth Gehl, Ph.D. candidate, Public Policy (2013); Keegan Smith, MPA candidate (2014 and 2015), all students of the Andrew Young School of Policy Studies, Georgia State University, Atlanta, Georgia; Katherine Willoughby (2016).

praising state residents, their hard work and resilience, and committing themselves to values regarding high-quality public service, social justice and fiscal discipline. Others, however, were bombastic in tone, by calling for the courting of residents running from

“poor performing” neighbor states, admonishing public pension protections for the “privileged few,” articulating the consequences of impending “fiscal catastrophe,” or lambasting the strategies of “socialist politicians” for hindering state progress.

Table A examines issues mentioned by chief executives in their state-of-state speeches for the last six years, indicating the proportion of governors discussing specific topics as relevant to their budget and policy agendas in the 2017 fiscal year and going forward. On average, governors addressed six of 15 issues, down from a mean of seven for the last six years. Governors in Kentucky and New York addressed nine issues each; those in Alaska and Pennsylvania considered just two apiece. At least 66 percent of governors lay out their education, economic development and jobs platforms in the 2016 speeches. That only two issues are harped on by two-thirds of governors drops the consideration of issues by half from an average of four in the last six years. Several things probably contributed to curt agendas. As noted earlier, some governors were in the spotlight (and often not in a good way) this year and had to spend the bulk of their address on one or two topics—be it declining revenues, a management disaster, pensions or the like—leaving little time for expanding upon their agendas. Also, a still sluggish economy and slow growth forecast has governors hesitant to over promise.

Education and economic development/jobs remain perennially important to state chief executives—considered consistently year to year by most governors. Another perennial issue is transportation that spiked in gubernatorial concern last year because of uncertainty surrounding federal highway funding, but settled back by 2016, realizing a dip in interest of 19 percent compared with 2015. Debt reduction exhibits the same characteristics as transportation as an agenda item, though of interest to relatively few governors; borders and illegal immigrants has been addressed consistently, too, in the past, again by few governors. Issues that display erratic interest among governors year to year, but seem to have settled into perennial status in 2016 include safety and corrections (almost two-thirds of governors mentioning) and natural resources and energy (over half of governors mentioning). Concerns related to local government have evidenced a cyclical pattern by governors in the past, but have been more consistently addressed in the last two years—30 percent of governors discussed their local government initiatives this year compared to 36 percent last year. Taxes and balance issues (surplus/deficit/rainy day fund/reserves) indicate waxing and waning interest by governors over the study period, following a business cycle model. The remaining issues—pensions,

performance/accountability, transparency and ethics—evidence eclectic patterns of interest on the part of governors across years. Pensions indicate the greatest spike in interest among governors this year, up 14 percent from 2015.

Education

Regarding education, governors centered their comments on enhancing the teaching profession, school choice, programming and access, and college affordability, curricula and degrees. Pay raises, career ladder opportunities, mentoring, and tax credits or funding to support out-of-pocket schools supplies, and college scholarships and loan repayment for students committed to teaching in state were all ideas provided by governors to advance teachers, teaching quality and the profession. Governors mentioned goals of universal pre-K and full-day kindergarten and related to K–12, revising education funding formulas, enriched reading programs and reformed student testing, increased local control of schools, enhanced school choice, lifting caps on charter school and specific educational programming for low-income children, distressed youth or special needs students. For higher education, chief executives called for a concentration on science, technology, engineering and math—or STEM—fields (Ohio Gov. John Kasich (R) suggested STEAM, including a focus on the arts along with science, technology, engineering and mathematics), advancing dual enrollment programs, university-technical/community college partnerships around curricula and degrees, college affordability, improving graduation rates, scholarships for part-time students, and sometimes massive building programs for schools and universities.

Some novel suggestions to enhance education by governors included Arizona Gov. Doug Ducey (R), who framed educational support with better foster care and going after deadbeat dads; Hawaii Gov. David Ige (D) talked of air-conditioning public school classrooms; Idaho Gov. Butch Otter (R) discussed moving toward “mastery-based” education that weighs individualized learning more heavily than “seat time” in the classroom; Maine Gov. Paul LePage (R) asked for tax credits to businesses that pay employees’ student loans or credits directly to employees of non-profits; New Mexico Gov. Susana Martinez (R) suggested state government grant leave for employees to attend parent-teacher conferences to inspire parental involvement in their children’s education; Gov. Kasich talked of investing in guidance counselors

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and improving pre-apprentice programs in high schools; South Carolina Gov. Nikki Haley (R) said voters should decide if the governor should appoint the superintendent of education—among other initiatives, she suggested that 1 percent of the state’s bond capacity be permanently dedicated to K–12 education facilities. Vermont Gov. Peter Shumlin (D) supported funding college savings accounts and funding a semester of free courses and support services to help first-generation and low-income students get back in school. Wisconsin Gov. Scott Walker (R) said reforms to health insurance would provide savings that should be applied to support public education, and Wyoming Gov. Matthew Mead (R) talked of applying rainy day funds for capital investment in community colleges. Colorado Gov. John Hickenlooper (D) agonized about a \$20 million cut to higher education with no increase for financial aid as “not the direction we want to be moving, but a direct result of conflicting budget mandates that are forcing painful choices like this one.”

Economic Development and Jobs

Economic development and jobs-enhancing options mentioned by governors were heavily weighted to workforce development programming and the partnering of institutions of higher education with business to generate a pipeline of new talent. Capital investments were promoted, as was lobbying the federal government for funding to expand and build transportation and other commerce-related projects. For example, New York Gov. Andrew Cuomo (D) announced his Built to Lead program, a \$100 billion investment in “transformative projects statewide.” Other ideas included reforming workers’ compensation systems, and eliminating and reforming labor regulations. The extension of broadband across states, making it easier to invest in start-ups and entrepreneurial ventures, continuing or rebooting marketing of state natural resources, parks and tourism, cutting business and property taxes, incentivizing those already in-state to stay and recruiting businesses and residents from other states were also on gubernatorial wish lists. For example, Arizona’s governor suggested going after “businesses fleeing California and other states on the decline, and ensure job creators who are already here, stay and thrive.”

Many governors talked of working locally to grow state economies from the ground up. Hickenlooper said his Colorado Blueprint 2.0 program’s “tenacious, bottom-up approach is delivering exciting results” that would pump “Main Street” initiatives

and support emerging industries. This governor also mentioned support for a program “that helps fathers who owe child support to get jobs so they can contribute financially to their kids’ well-being.” Shumlin pushed a farm-to-plate, farm-to-glass, and farm-to-can revolution in Vermont to generate an “Agricultural Renaissance.” Ige hawked community planning “the right way,” with affordable housing, open space for recreation and commercial development to grow Hawaii’s economy.

Louisiana Gov. John Bel Edwards (D) declared that “\$7.25 per hour is simply not a living wage in 2016” and proposed an increase to the state’s minimum wage, phased in over two years. He also said eliminating the wage gap between men and women would be a positive check for the state’s economy. Washington Gov. Jay Inslee (D) in his address titled, “A State of Confidence,” also supported development of a “true minimum wage and paid sick leave for hardworking Washingtonians. . . . If you work 40 hours a week, you deserve a wage that puts a roof over your head and food on the table. . . . You shouldn’t have to give up a day’s pay if you or your kids get sick.” This governor suggested state influence “to reduce the widening pay gap between CEOs and their workers.”

New Hampshire Gov. Maggie Hassan (D) asked to repurpose existing federal funds “to move people into jobs that pay sustainable wages, lessening their need for public assistance.” She also suggested creating apprenticeship opportunities between community colleges and businesses to produce skilled workers, along with several reforms to state programs to keep people working and better prepare those entering the workforce for the first time. Similarly, Gov. Martinez talked about a Students Work internship portal as a shared website between business and universities to connect students to jobs. West Virginia Gov. Earl Ray Tomblin (D) recommended legislation to expand Learn and Earn that provides work-learn programs for students.

More unique notions related to economic development included that of LePage, who pressed for “lower electricity rates to keep and grow jobs.” Missouri Gov. Jay Nixon (D) requested scholarships for the next generation dairy farmers, making child care more affordable for low income working families and expanding family-friendly policies like parental leave for state employees. Rhode Island Gov. Gina Raimondo (D) suggested competition to develop an “innovation campus” that would create jobs, a project modeled on South Carolina’s BMW and Clemson University automotive research campus.

Health Care

Governors' thoughts about health care concentrated on increasing the supply of doctors, drug addiction programming and support, and Medicaid expansion. To generate a strong pipeline of doctors, governors mentioned adding more seats in medical schools, new residency programs, school loan forgiveness for doctors and other health care workers, and accepting out-of-state board certification. A few mentioned support for programs to steer doctors and health care professionals to rural service and for high-risk populations.

Some governors asked for more funding or facilities for preventive services, early intervention, mental and/or behavioral health programs and crisis clinics, while one or two focused on autism and developmental disabilities, specifically. Many who targeted drug addiction relayed ideas about prevention, care, costs and accountability, asking for better training of "prescribers," strengthened prescription drug monitoring, and expanded access to Narcan for recovery. New Jersey Gov. Chris Christie (R) announced expansion of a drug recovery program in which specialists leading interventions "are often in recovery themselves, and they're deployed to emergency rooms so they can provide guidance, support and referrals for treatment [given] the benefit of their own experiences on the path to recovery." Cuomo proposed \$90 million for "the most aggressive breast cancer screening operation in this country."

Funding structures and changes were discussed by others. California Gov. Jerry Brown (D) cited increased costs to the state given health care obligations and asked legislators "to seriously consider the newly revised Managed Care Organization (MCO) financing reform. ... California should not shortchange itself. This is not a tax increase, no matter what anyone tells you. The arithmetic is simple: California comes out a clear winner." Iowa Gov. Terry Branstad (R) noted that because Medicaid "is stretching our budget too thin," the state must engage managed care; if managed care is not implemented, "the growth of Medicaid spending will consume virtually all of our revenue growth." Bel Edwards explained that expanding health care under the federal rubric will "stimulate economic activity and create thousands of new jobs....improve our workforce....save state dollars and greatly reduce uncompensated care, which will relieve a major financial burden on our hospitals." Governors in South Dakota, Virginia and Wyoming also broached Medicaid expansion.

South Dakota Gov. Dennis Daugaard (R) detailed his about-face on expansion:

"The federal healthcare law is about far more than Medicaid expansion, and we're already seeing how it has distorted the market for health insurance and led to higher costs. In my opinion the law needs to be repealed or significantly changed. But at the state level, we do not make federal policy. It's our responsibility to understand the federal programs as they exist and to make the best decisions for our state. That's why, although I opposed the federal health care reform law, my administration has spent three years discussing possible approaches to expansion with federal officials. The deal I am proposing makes sense for South Dakota; it is a very good deal. This plan will fix the longstanding Indian Health Service reimbursement issue, secure better health care for Native Americans, and cover 50,000 more South Dakotans at no cost to our state general fund. This change will benefit counties by relieving their indigent care costs and by reducing the health care costs for jail inmates. It will reduce the charity care expense that hospitals now pass on to patients like you. We all know that Native Americans in our state were promised health care by the federal government as a treaty obligation."

Virginia Gov. Terry McAuliffe (D) implored that "Each day that we do not close the coverage gap, we forfeit \$6.6 million dollars in federal money," while Wyoming's governor relented that "We're out of timeouts, and we need to address Medicaid expansion this session." On the other hand, several governors held firm in rejecting expansion. Kansas Gov. Sam Brownback (R) emphasized that his state would not be part of federal health care expansion as did Nebraska Gov. Pete Ricketts (R), who stated that legislators have "wisely rejected Medicaid expansion. Obamacare is an example of government that does not work."

Safety and Corrections

In 2016, governors relayed their ideas for transforming, refurbishing, and repurposing correctional facilities; reforming juvenile justice programs; increasing judicial discretion in sentencing; reforming sentencing laws; enhancing rehabilitation programs; restructuring court funding; protecting against human trafficking and domestic violence; and training, hiring and equipping more troopers, police, probation/parole officers and correctional

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staff. Some also talked about targeted support for law enforcement to “hardest hit” and high-crime communities in their states. Some were very specific regarding their public safety initiatives. Kentucky Gov. Matt Bevin (R) discussed investment in reducing the backlog of rape cases. Florida Gov. Rick Scott (R) told of his budget allocation “to start the process of clearing rape backlogs,” too, and developing a “community corrections center to provide tough love and on-site drug treatment and counseling” in the state’s largest county. This governor is also going after deadbeat dads who evade responsibility “with no shame.” In his words, “Effective immediately, the state is going to begin posting the photos, names and money owed by these losers to social media, with the hashtag ‘deadbeat.’” Otter explained the need to fund changes to the state’s public defense system, “to ensure all Idaho citizens can avail themselves of this fundamental constitutional right.” Brownback delivered that his budget proposal supports arming and training additional personnel with security enhancements to National Guard facilities for safety and to “thwart every action the president takes to transfer terrorists to Kansas.” On the other hand, Inslee talked about gun control in the State of Washington where, “my executive order would strengthen the background check system, collect information that will drive smart, data-driven solutions to gun violence and implement a statewide Suicide Prevention Plan.”

Natural Resources and Transportation

In this year’s speeches, governors outlined initiatives to preserve, protect and extend water, air and land resources, to explore sustainable and conservation opportunities (solar, wind and hydropower) and build up recreational natural resources. Brown outlined California’s herculean task: “There is no magic bullet but a series of actions must be taken. We have to recharge our aquifers, manage the groundwater, recycle, capture storm water, build storage and reliable conveyance, improve efficiency everywhere, invest in new technologies—including desalination—and all the while recognize that there are some limits.” Hickenlooper talked of funding to promote “a future where, within one generation, every Coloradan will live within a 10-minute walk of a park, trail or vibrant green space.” This governor had to address the Gold King Mine wastewater spill of 2015 and subsequent contamination, claiming, “we are developing a statewide inventory of draining mines to prioritize for cleanup.” Maryland

Gov. Larry Hogan (R) discussed restoration of the Chesapeake Bay while Michigan Gov. Rick Snyder (R), in accepting responsibility for cleaning up the Flint water disaster, talked about the need for lead testing for clean water and monitoring piping of energy sources. In Maine, LePage berated “Socialists [who] love to subsidize new wind and solar energy projects because they think it will save the earth, but that kind of expensive and inefficient energy benefits only a few wealthy investors and our electrical generation is already one of the cleanest in the country,” and instead called for support of energy delivery through “our plentiful natural resource: wood.”

Other governors addressed unique aspects of their state’s natural resources and current circumstances. Tomblin discussed West Virginia’s transitioning economy, given energy prices. He noted that possible federal funding has “the potential to help six counties in our southern coalfields adjust, adapt and advance their communities. If we’re successful, these federal funds will help us rebuild aging infrastructure, promote land-use planning and hazard-reduction efforts and stimulate housing and economic development in areas outside of the region’s floodplains.” He also talked about finding new uses for old mining sites.

Otter discussed his state’s problems requiring the protection and monitoring of natural habitats as well as wildfire prevention, suppression and amelioration. Inslee proposed using the state’s Budget Stabilization Fund to cover costs related to battling dangerous wildfires, to help with recovery and to be better prepared for the next fire season.

Concerning transportation, many governors talked about deteriorating infrastructure, mostly roads, highways and bridges. Brown noted “no choice but to maintain our transportation infrastructure” and suggested new fees and taxes to do so. Georgia Gov. Nathan Deal (R) in his speech titled, “Ocean of Opportunity Lies Ahead for Georgia’s Ship of State,” proposed infrastructure maintenance using new user fees. Several governors discussed the need to modernize and add global gateways into their states. Ige spoke of the importance of easing travel into and around the state that would require a second international airport and upgrading the passport control system. Bevin asked for enhanced aviation funding: “Think about all the people that we want to come here to Kentucky, to bring their companies to Kentucky. How do they get here? They fly in on their corpo-

rate jets.” Indiana Gov. Mike Pence (R) discussed building a fourth port in state. Nixon claimed future investment of “an additional \$5 million to improve and expand our ports—so we can ship more Missouri goods around the world and create more jobs here at home.” Cuomo mapped out an ambitious building plan that touched on roads, tollways and airports all over the state as well as mass transit and Penn Station. “Penn Station is grossly over capacity and underperforming. Penn is, in a word, miserable. Amtrak owns it. It is un-New York, it is unwelcoming and it is unacceptable.” Along with investing in “shovel-ready projects,” Hogan talked about transforming the transit system in Baltimore.

Other avenues to advance transportation suggested included that by Hassan to strengthen transportation infrastructure “through innovative public-private partnerships and the Ten-Year Transportation Plan that advances critical transportation goals while maintaining fiscal responsibility and living within our projected revenues.” Haley emphasized an organizational first step: “I will not sign any piece of legislation that does not include real reform to the Department of Transportation, the days of horse-trading South Carolina roads have to end. ...reform our flawed transportation system and invest in our roads.” Also, Tennessee Gov. Bill Haslam (R) called for solving the state’s transportation problems by repaying millions of dollars borrowed from the state’s highway fund in the past. “Our current payment structure will not allow us to ensure the future safety of our road and bridges or, importantly, our ability to recruit the jobs we want in Tennessee.”

Credit, Balance and Taxes

Governors referenced credit ratings, balance, debt reduction and long-term obligations to set the stage for their budget agenda choices. Regarding credit ratings, Utah Gov. Gary Herbert (R) is enthusiastic to be in the AAA club and reap its benefits. “Forty one other states have a tarnished bond rating. The United States of America recently had its own rating downgraded. ... Don’t think for a minute that this recognition does not matter. It saves the taxpayer money.” Governors in Delaware, Indiana and Missouri made the same argument, with Gov. Nixon characterizing the AAA rating as “the gold standard. ... It tells businesses around the globe that the Show-Me State is a smart place to invest.” Daugaard said he was proud of his state’s credit rating upgrade to AAA because of a structurally balanced budget, no unfunded

liabilities or deferred maintenance, reasonable regulations, low tax burden and “stellar” business climate. Governors in Wyoming and Nebraska acknowledged membership in the AAA club, but cautioned against loosening the state purse strings. Mead reminded lawmakers and constituents that it has been challenging, but the state has maintained its pristine rating, while Ricketts warned that “we cannot rest on our laurels as forecasts indicate a downward revenue trend by \$154 million.” Governors Ducey and Brown both hyped their credit rating upgrades as proof of good budget management in their states. Gov. Hassan emphasized that her hard work to date has been an effort to avert any negative impact New Hampshire’s bond rating.

Two governors—those in Alaska and Pennsylvania—discussed the relevance of credit rating downgrades to their states’ futures. Alaska Gov. Bill Walker (I) explained that the large structural budget deficit in the state’s unrestricted general fund as reason for Standard & Poor’s credit downgrade, emphasizing that living on reserves is unsustainable. Walker called for “Bold Steps” and “New Beginnings” to realize an “incredible future” for the state, “if we have the guts to take hold of the wheel with two strong hands (administration and legislature) and navigate through rough seas with some serious but necessary course corrections.” This governor suggested a “family talk,” prayer and pulling together to make corrections, in light of the tumble in oil prices even while touting progress made by ExxonMobile regarding oil production projects going forward. (Alternatively, Shumlin considered that his state “should not wait to rid ourselves of ExxonMobil stock. ... Owning ExxonMobil stock is not a business Vermont should be in.”) Walker discussed a \$3.5 billion deficit, clarifying that “we are drawing down from our savings at a rate of \$400,000 every hour.” The governor’s state of state hinges on protecting Alaska’s Permanent Fund, generating new revenues through new taxes and increases to others, expenditure cuts, and mapping opportunities of growth including tourism, energy diversification, mining, shipping routes and carrots(!) in order to avoid a “terrible legacy to leave our children to build government funded primarily from one resource alone.”

Pennsylvania Gov. Tom Wolf (D) discussed the fiscal catastrophe in his state by pointing to five credit downgrades in the last five years, “three times in the last two years alone.” He explained that these downgrades are the result of “little tricks” the state has played to avoid hard decisions:

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“Because of years of budgetary irresponsibility, the Commonwealth of Pennsylvania is considered to be among the least creditworthy states in America. This is embarrassing...because our credit has been downgraded so much, we are forced to pay a higher rate of interest on our \$17 billion in debt. That costs us an extra \$139 million a year...that doesn’t go to improving our schools, or making our business environment more competitive, or lowering our taxes. It’s a \$139 million penalty that the people of Pennsylvania pay for Harrisburg’s fiscal irresponsibility.”

Referring to the state’s \$2 billion budget deficit as “simple math” and not a political fact, Wolf asked legislators to pass a compromise budget and not one “where the numbers simply don’t add up.” Somewhat similarly, in Kentucky, Bevin implored legislators to “stop digging. When you’re in financial trouble, you’re in debt, you stop digging. You don’t borrow more money....I will not sign any bill or budget that encumbers future generations with debt that we refuse to take responsibility for today.” Tomblin called for paying off workers’ compensation debt and looking for new revenue sources, in light of changing energy prices and its negative impact on West Virginia’s economy.

Some governors highlighted the role of reserves or rainy day funds related to budget health. Herbert characterized Utah’s \$528 million Rainy Day fund as “extraordinary” but still cautioned that his budget “calls for no new debt and no tax increases. ... It pays off \$350 million in existing debt, bringing the total debt paid off by the state over the last five years to over \$1.4 billion.” Likewise, Haslam in his address titled, “This is What We Do,” talked fiscal conservatism and almost tripling Tennessee’s rainy day fund by 2017 because, “it’s always best to repair the roof when the sun is shining.”

Minnesota Gov. Mark Dayton (D), while rejoicing in “building the budget reserve fund to an unprecedented level,” stated his number one priority to be protecting the fiscal integrity of the state. Citing a projected national recession in 2018, he warned, “If Minnesota were to be caught in a national recession, the surplus for fiscal years 2018 and 2019 would quickly erode. I will never forget the experience of coming into office in January 2011 and being confronted with a projected \$6 billion deficit for the upcoming biennium. I will not leave that kind of fiscal disaster to my successor or the people of Minnesota.” Mead touted his state’s robust rainy

day fund, too. “The Pew Institute has recognized our rainy day planning—Wyoming has the largest rainy day fund in the country in proportion to our overall budget. [This fund] is the third largest in terms of dollars.” Still, especially in this mineral rich state, “reducing our budget is a reality we face.” Massachusetts Gov. Charlie Baker (R) stated he would add money to the state’s stabilization fund and not raise taxes or fees. Mississippi Gov. Phil Bryant’s (R) budget “outlines a conservative and prudent spending plan that uses no one-time money for recurring expenses, replenishes the Rainy Day Fund to its statutory capacity and prioritizes core government functions...with most agencies level-funded at the revised state support amount, consistent with recent reductions, or are returned to pre-budget cut funding levels.” Though additional funding goes to foster care as part settlement agreement, \$51 million goes to the Rainy Day Fund, “which would boost the state’s savings account to \$428 million.”

Other governors may not have mentioned credit ratings, but spent significant time and included much detail laying out fiscal sustainability plans for their states. Oklahoma Gov. Mary Fallin (R) used charts to display her strategy for addressing the state’s poor budgetary outlook by “capturing” revenues, including those from a cigarette tax, from non-appropriated agency revenue sharing, by eliminating non-statutory, non-critical pass-through appropriations and automating reconciliation of some agency revolving funds, by real-locating apportionments to the General Revenue Fund “that currently go to noble but noncritical functions,” and by modernizing state sales and use tax exemptions. Under her budget, most state agency budgets would be cut by 6 percent, with critical functions realizing just a 3 percent reduction (human welfare, public safety, public health, juvenile affairs and the state’s School of Science and Mathematics). This governor is asking for sentencing reforms to help control prison costs and advance rehabilitation efforts. Spending for the state’s prisons, foster care and education would increase, however, with the governor specifying in detail these efforts. She also called for funding to finish renovating Oklahoma’s State Capitol.

Governors had lots of thoughts about state taxes and possible revenue generating or changing schemes. Ideas swirling around taxes included reform of state tax administration, vague “modernizing” of state tax codes, imposition or reform of various tax credits—for research and develop-

ment, film, low-income housing, rural health care workers, bio-renewables, and child care—and considerations related to property, income, sales and cigarette taxes. Regarding property taxes, Illinois Gov. Bruce Rauner (R) talked about the need to reduce the property tax burden in his state. “We have the second highest property taxes in the country. They are crushing homeowners and small business owners.” Brownback said he “would welcome legislation that strengthens the property tax lid by closing the existing loopholes.” Ricketts crafted a proposal for property tax relief in Nebraska. In Pennsylvania, Wolf cautioned that, “If we don’t have sustainable revenue sources in our budget, the result will be billions of dollars in new property tax hikes.” Hogan called for tax relief on retirement income for all Maryland’s retirees. In addition to asking for the acceleration of the Earned Income Tax Credit, this governor sought reduction or elimination of fees, elimination of the corporate tax and waiving “all state taxes on certain companies who commit to bringing jobs where unemployment is highest.”

Washington Gov. Jay Inslee (D) called for paying for increased teacher pay by eliminating tax breaks “whose benefits simply do not outweigh our obligations to our students, to our teachers and to our schools.” Nixon took fantasy sports to task. “Let’s get real: this is gambling. If you’re going to legalize it, we must regulate it and tax it just like we do casinos. This industry should follow the law, play by the rules and pay its fair share. This could mean millions of dollars a year for education.” Tomblin talked about the serious need to “consider new revenue opportunities” via increasing West Virginia’s tobacco tax, doing away with a sales tax exemption and bringing the “state’s telecommunications tax in line with 41 other states across the country.”

Tax cuts were brought up in speeches. Florida Gov. Rick Scott (R) extolled, “Let’s keep cutting taxes! Floridians can spend their money better than government can.” He called for cutting the tax on cell phones and TVs, permanently ending manufacturing equipment tax as well as the state sales tax on college textbooks. In New Jersey, Christie asked to abolish the Estate Tax because “14 states currently have estate taxes and six have inheritance taxes, but only New Jersey and Maryland have both.” Cuomo proposed “a tax cut for small businesses because that is the engine that is driving the [New York] economy.”

Commitments to no new taxes were evidenced as well. Massachusetts Gov. Charlie Baker (R) said

his new budget “won’t raise taxes or fees.” Haley warned that she would “not sign any piece of legislation that raises taxes—not in year one, not in year five, not in year 10.” She also sought state income tax cuts. Mead noted disagreement with any ideas for raising taxes in Wyoming, “I just don’t think that is where we are today, because certainly we are at a point we’re still spending on things we would not be spending on if we’re at the point of considering more taxes.”

Labor Costs and Unions

Four governors brought up unions and labor negotiations in their speeches this year. Connecticut Gov. Dan Malloy (D) discussed his state’s fiscal problems, emphasizing he would “continue to negotiate with 13 state employee bargaining units” and that while he “strongly believes that working people who serve the public for decades deserve good benefits and a secure retirement... the obligation of maintaining this system cannot be solely supported by taxpayers. We should not wait until 2022 to have necessary discussions between labor and management.” Rauner considered union compensation demands “out-of-touch with reality” and recognized Illinois’ greatest costs are for compensating employees. He expressed that state employees “deserve to be well paid, and receive higher compensation in the future. But it should be based in part upon higher productivity and shared benefits in taxpayer savings, rather than just seniority.” The union is asking for “\$3 billion that should go into our schools and human services, not into government bureaucracy. Our state employees are paid almost 30 percent more than Illinois taxpayers are in their own jobs for the same work. That is not fair—and it’s time we restore balance between taxpayers and state government. ... We need to install common sense into our union contracts!” Christie admonished public unions in New Jersey, rallying against a proposed constitutional amendment to guarantee state pensions. Labeling state retirees as “the privileged few,” he ranted that legislators not “soak every taxpayer” to pay pensions. Martinez was less strident regarding unions, suggesting that her state “end the practice of requiring New Mexicans to join a union or give money to one just to have a job.”

Conclusion

The corrosive political environment in the United States, a dramatic drop in energy prices globally, and several ugly personal, policy or management

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gaffes by governors or those working for them has resulted in an interesting mix of speeches this year. While some governors provided highly detailed explanations of their budget problems and agendas, others discussed their views thematically, for example, regarding inequality and climate change. A few come off as belligerent—dismissive of other states, politicians in their own governments, or even specific members of society. On average, governors considered fewer of the issues expected to be addressed in these speeches. Also, there seemed to be a real hesitancy in making many promises past continuation budgets. There are a few outliers—one Democratic governor and one Republican governor considered nine issues each when laying out their budget and policy plans. In the end, what's important is what's mentioned. These chief executives understand what states do—primarily educate and push for economic prosperity. These issues remained at the forefront of governors' state of state speeches in 2016.

Notes

¹ U.S. state government chief executives report annually or biennially to their legislatures regarding their state's fiscal condition. They often use their address to lay out their policy and budget agendas for their upcoming or continuing administration. The 2016 state of the state addresses were accessed from Jan. 1–April 6, 2016, via www.nga.org or the state government's homepage. This research considers the 43 states with transcripts available at these sites as of April 6, 2016. Governors in Arkansas, Montana, Nevada, North Carolina, North Dakota, Oregon and Texas did not provide a speech in 2016. 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 2017—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.

² National Governors Association. (2016). *Current Governors by State, Party Affiliation, and Terms in Office*. Accessed on March 1, 2016, via <http://www.nga.org/files/live/sites/NGA/files/pdf/GOVLIST.PDF>.

³ National Conference of State Legislatures. (2016). *2016 State and Legislative Partisan Composition*. Accessed on March 1, 2016, via http://www.ncsl.org/Portals/1/Documents/Elections/Legis_Control_2016_Mar17.pdf.

⁴ National Conference of State Legislatures, 2015.

⁵ Dadayan, Lucy and Boyd, Donald J. (2016a). *Softening Third-Quarter Growth in State Taxes, Weak Forecasts for Fiscal 2016 and 2017*, March 7. Accessed March 1, 2016, via http://www.rockinst.org/pdf/government_finance/state_revenue_report/2016-03-07-SRR_102.pdf.

⁶ Dadayan, Lucy and Boyd, Donald J. (2016b). *By the Numbers: Double, Double Oil and Trouble*. February 1. Accessed on March 1, 2016, via http://www.rockinst.org/pdf/government_finance/2016-02-By_Numbers_Brief_No5.pdf.

⁷ Dadayan and Boyd, 2016b.

⁸ See Crew, Jr., R.E. and Lewis, C. (2011). "Verbal Style, Gubernatorial Strategies, and Legislative Success." *Political Psychology*. August, 32(4), 623–642; Durney, A., Fauver, L. and Gupta, N. (2013). "Political Speech and Economic Outcomes: Running the Numbers." *ISB Insight*, October–December, 1(1), 8–14; and Smith, Keegan and Katherine Willoughby (2015). "The State of the State Addresses: More Comfortable, Still Cautious," in Audrey S. Wall, ed. *The Book of the States*. Vol. 46 (Lexington, KY: The Council of State Governments): 133–139.

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