The State of State Addresses: Settling in for the Long Haul[1]

By Sarah Beth Gehl and Katherine Willoughby

Governors were more likely this year than last to address a broader range of issues in their state of the state addresses. At least two-thirds of them considered five issues in 2013, compared to just three issues in 2012. Education, jobs and taxes remain hot topics, but health care and public safety also moved up the list. Health care was the second most mentioned issue by governors this year, not a surprise since the start date for implementation of the Affordable Care Act is less than a year away. Also, governors' consideration of gun control and safety issues was not unlikely given the tragic mass shootings in Colorado and Connecticut in 2012. Governors seemed hesitant to pursue expansive budget and policy agendas, recognizing that fiscal recovery from the Great Recession will remain sluggish.

Politics and Money— Stability and Uncertainty

Political control in the states remained fairly stable from 2012 to 2013. Republican governors lead 30 states, up one from 2012, and Democrats head up 19 states, with Rhode Island's Lincoln Chafee the sole Independent.[2] Republicans likewise dominate legislatures, with Republican majorities in 28 state houses and 29 state senates. Democrats hold majorities in 21 houses and 19 senates.[3] Compared to the previous year, political parties solidified their control of both branches in more states. In total, Republicans control the executive and legislative branches in 23 states, up one from last year, while Democrats control 13 states, up two from last year. Governors in 14 states—Arkansas, Iowa, Kentucky, Maine, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, Rhode Island and Virginia—work with a legislature controlled by the opposite party or split between the parties. In Nebraska and Virginia, the governors work with a nonpartisan legislature and an evenly split senate, respectively.

State own source revenues are more stable than in the past, though revenue growth remains sluggish. Now five years after the onset of the Great Recession, governors still are wrestling with intransigent budget problems. According to the Rockefeller Institute's analysis of U.S. Census Bureau data, state tax collections were up 2.7 percent in the third quarter of 2012 compared to the same quarter in 2011, presenting the 11th consecutive quarter of growth.[4] These gains provided some positive news to states, although growth has softened in recent quarters and many states still are struggling to regain peak pre-recessionary levels. Slightly more than half the states had higher tax collections in the 2012 fiscal year than in their previous peak year, with 22 states still below their pre-recession peak. In fact, while state tax revenues were 1.3 percent higher in 2012 compared to 2008, after adjusting for inflation, these tax collections actually trailed 2008 levels by 4.9 percent. When inflation is taken into consideration, the number of states surpassing their past peak levels drops from 27 to 12.[5]

States face much greater uncertainty regarding future federal assistance. Governors made their speeches shortly after the federal government narrowly averted the fiscal cliff and, in most cases, just weeks before sequestration took effect. These events followed continuous debate over whether to extend the Bush tax cuts, causing some to speculate whether individuals would shift income and deductions to 2012 and cause more volatility in the coming year for state income tax collections.[6] Sequestration put into effect across-the-board cuts in federal funding for discretionary programs, which greatly impacts states, although the extent or timing of those effects is unclear. The National Conference of State Legislatures estimates a $5.8 billion decline in funding for state-administered programs in 2013 due to sequestration.[7] Sequestration is layered on top of the funding caps stipulated in the 2011 Budget Control Act, which also places pressure on discretionary aid flowing to states and localities. The Center on Budget and Policy Priorities estimates that federal discretionary funding will be 9 percent lower in 2013 compared to 2010—14 percent, inflation-adjusted—due to the combination of sequestration and Budget Control Act cuts.[8]

Table A:
Issues Expressed by Governors in State of the State Addresses, 2009–2013

Issue expressed by governors	*2009 percentage of governors mentioning the issue (N=44)*	*2010 percentage of governors mentioning the issue (N=42)*	*2011 percentage of governors mentioning the issue (N=47)*	*2012 percentage of governors mentioning the issue (N=43)*	*2013 percentage of governors mentioning the issue (N=49)*
Education	86.4%	90.5%	93.6%	95.3%	100.0%
Health care	79.5	57.1	72.3	55.8	79.6
Economic development/jobs	79.5	88.1	87.2	90.7	77.6
Tax/revenue initiative	65.9	83.3	70.2	81.4	71.4
Safety/corrections	50.0	54.8	38.3	55.8	67.3
Natural resources/energy	79.5	73.8	44.7	65.1	57.1
Transportation/roads/bridges	65.9	50.0	46.8	48.8	46.9
Surplus/deficit/rainy day/reserves	45.5	78.6	34.0	60.5	32.7
Performance/accountability	52.3	73.8	83.0	55.8	30.6
Pensions/OPEBs	18.2	19.0	36.2	32.6	18.4
Ethics reform	15.9	26.2	8.5	7.0	16.3
Local government	20.5	11.9	17.0	25.6	14.3
Transparency	31.8	14.3	2.1	25.6	12.2
Borders/illegal immigrants	6.8	4.8	8.5	11.6	8.2
Debt reduction	4.5	0.0	8.5	7.0	6.1

Sources: Content analysis of 2009 State of State Addresses conducted by Tanya Smilley, MPA candidate and Soyoung Park, Ph.D. candidate, Public Policy; 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 and 2013 State of State Addresses conducted by Megan Phillips, MPA candidate and Sarah Beth Gehl, Ph.D. candidate, Public Policy, all students of Andrew Young School of Policy Studies, Georgia State University, Atlanta, Georgia.

A Wider Vision

With politics even more solidified and revenues improving, though sluggish, it is not surprising that governors are holding fast to their traditional interests of education, economic development and taxes. These issues again dominated state of state addresses in 2013. Every governor included an education agenda, while 78 percent discussed economic development and jobs initiatives, and 71 percent discussed a tax or revenue initiative. Since the recession began, governors have been whittling away at their budget and policy agendas. In 2009 and 2010, at least two-thirds of the governors mentioned six issues; in 2011, two-thirds mentioned five issues; and in 2012, two-thirds of chief executives mentioned just three priorities—education, jobs and taxes.

It is interesting that this funnel vision has opened up slightly in 2013. In addition to education, jobs and taxes, at least two-thirds of governors also included health care and safety in their speeches. Upcoming changes associated with the federal Affordable Care Act of 2010, whose major provisions take effect in 2014, undoubtedly pushed health care to the forefront of gubernatorial concerns. Eighty percent of governors mentioned a health care initiative in their 2013 state of the state addresses, compared to 56 percent mentioning this issue last year. Health care rose from the sixth most popular agenda item in 2012 to second place in 2013, just behind education.

The mass shooting at Sandy Hook Elementary in Connecticut and events in other areas around the nation propelled safety to national attention in the months leading up to the state of the state addresses. About 67 percent of governors included safety and corrections as an agenda item, compared to 56 percent in the previous year.

Rising Issues: Medicaid Expansion and Public Safety

Federal health care reform dominated the health agenda in states this year. Under the Affordable Care Act, states are allowed to expand Medicaid eligibility to adults living below 138 percent of the poverty level by 2014. States would receive a 100 percent federal match for these newly enrolled adults in the first few years, with a gradual reduction to a 90 percent federal match by 2020. The U.S. Supreme Court's ruling on the act in 2012 upheld national health care reform, but effectively changed the Medicaid expansion from a requirement to an option for states.[9] Thus, to expand or not to expand Medicaid was high on the list of concerns for governors this year.

Although there is no deadline for Medicaid expansion, the federal match begins in 2014 and many governors announced their support or opposition to the expansion in their 2013 addresses. Governors in Arizona, Arkansas, California, Colorado, Florida, Illinois, Minnesota, Missouri, Montana, Nevada, New Hampshire, New Mexico, Ohio and Washington stated support for Medicaid expansion. Wyoming Gov. Matthew Mead proposed a partial Medicaid expansion allowed under the Affordable Care Act. Mississippi Gov. Phil Bryant stated his opposition to Medicaid expansion in his state, noting the estimated higher costs for the program and arguing instead for compassion by "lowering our Medicaid population through economic growth, personal responsibility, and providing more access to private sector health care." Texas Gov. Rick Perry likewise asserted his opposition to expansion.

Georgia Gov. Nathan Deal claimed he "did not judge it prudent to expand the eligible population of an entitlement program by adding an additional 620,000 new enrollees, since our state is already spending approximately $2.5 billion in state taxpayer funds annually." He emphasized that new Medicaid recipients and Affordable Care Act mandates "will raise our Medicaid costs by nearly $1.7 billion over the next 10 years." To accommodate increasing Medicaid costs in the state, Deal pushed for the state's Department of Community Health to extend a provider fee for hospitals. The "bed tax" passed in the 2013 legislative session—allowing for the fee to be extended and relieving House and Senate members from having to vote on a tax increase. Other governors have stated their support or opposition to Medicaid expansion outside of their addresses. They include Tennessee Gov. Bill Haslam's speech in March to lawmakers opposing the expansion, at least for now. As of March 27, 2013, 27 governors supported or leaned toward supporting expansion for Medicaid, while 18 governors opposed or leaned toward opposition. Five governors were undecided.[10]

Although gubernatorial opposition to Medicaid expansion primarily followed party lines—the governors of Georgia, Mississippi, Texas and Wyoming are Republicans—there were exceptions. Republican governors in Arizona, Florida, New Mexico, Nevada and Ohio expressed support for Medicaid expansion and other components of the Affordable Care Act. These governors often made their case to constituents by arguing that any failure to expand these health services would mean lost revenues, funding that would flow to other states that choose to expand. Idaho Gov. Butch Otter described Medicaid as broken, but noted there was no timeline for expansion. He called for an effort to study the issue and consider proposals in 2014.

States have other decisions to make related to the Affordable Care Act, such as whether to establish state-based health insurance exchanges. Governors in Idaho, Illinois, Minnesota and Rhode Island discussed their plans for state-based exchanges in their addresses, while Texas Gov. Perry expressed his opposition to an exchange in his state. California Gov. Jerry Brown said he would call a special session in 2013 to address the decisions necessary to carry out the health care reform provisions.

Beyond issues related to state accommodation to federal health care reform, measures aimed at increasing the number of health professionals—such as student loan repayment programs, additional residency programs and targeted investments in medical colleges—topped gubernatorial health agendas. Governors in Georgia, Idaho, Iowa, Kansas, Minnesota, Mississippi and Montana included medical training investments and other efforts to expand the availability of physicians among their priorities. Additional ideas included new payment models such as Deal's ideas as listed above, caps on frivolous lawsuits, legislation for smoke-free zones, Medicaid funding, long-term care investments, prescription pain medication restrictions, reproductive health and rural health access.

State investment in mental health services and program reforms was a priority among many governors, bridging health and safety issues and perhaps reflecting the desire to respond to the tragic shooting at Sandy Hook Elementary School. Connecticut Gov. Dannel Malloy announced the creation of the Sandy Hook Advisory Commission to offer recommendations on mental health services, among others. Delaware Gov. Jack Markell focused on mental health services for children, including the expansion of mental health professionals in schools and telemedicine to connect children to mental health services. Other governors tied mental health reform to safety, with calls for a mental health facility in the prison system in Idaho and better coordination of mental health records between counties and state police in Illinois. Governors in Colorado, Maryland, Michigan, Missouri, Virginia and Washington also prioritized mental health services.

Gun control and school safety measures were also among governors' priorities following the events at Sandy Hook. Governors in Alabama, Alaska, Arizona, Connecticut, Delaware, Illinois, Indiana, Maryland and Virginia plan to create school safety plans or invest in officers in schools. Illinois Gov. Pat Quinn and Maryland Gov. Martin O'Malley proposed a ban on assault weapons. Quinn, along with Colorado's John Hickenlooper, proposed expanding background checks for gun sales. Governors in Connecticut, Delaware, Massachusetts, Rhode Island and Washington also mentioned gun violence as among their concerns. Beyond these measures, governors included other safety and corrections agendas, including measures to address human trafficking and domestic violence, prison funding and expansion, DUI laws, juvenile justice, the death penalty and prescription drug abuse.

Continuing Concerns: Education, Jobs and Taxes

Advancing Learning and Economic Development

Education initiatives continued to dominate governors' agendas, as executives highlighted the direct connection between quality education and economic growth. "Our very economic stability as a state is threatened if our education system is not improved," Mississippi's Gov. Bryant said.

Governors drew attention to literacy rates, school readiness, high school and college completion, and skills-occupation mismatches. They offered proposals that focused on funding, teacher quality, performance and accountability, and school choice, among others. Increased funding for these initiatives was a primary request of governors, whether general operating support, in the form of teacher pay raises, or dedicated funds to areas such as literacy. Performance and accountability initiatives included performance pay for teachers, new standards for curriculum and teacher education, and in Alabama, an authority for the state to take over day-to-day operations of failing districts.

Governors in Delaware, Indiana, Maine, Mississippi, Texas, Virginia and Wyoming highlighted proposals to expand or refine school choice. Additional proposals included expanding digital learning—in Alaska, Hawaii, Maryland and North Carolina, attraction and retention efforts for teachers—in Colorado, Delaware and Iowa, an increase in the mandatory school age from 16 to 18 years in Kentucky (to keep teens in school), gubernatorial selection of the state superintendent in South Carolina, and elimination of tenure in South Dakota.

Primary and secondary education initiatives were at the top of education agendas, but pre-K and higher education also received numerous proposals, predominately related to increased funding and affordability. Thirteen governors highlighted the importance of early childhood education and proposed additional funding for program expansion in most cases. While most of the early childhood education initiatives focused on pre-K expansion, two governors—Mike Pence of Indiana and Mark Dayton of Minnesota—proposed increased funding for full-day kindergarten. Pence proposed increasing state funding for kindergarten and expanding incentives for others to support "innovative, community-driven pre-K effort for our low-income children."

For higher education, governors focused on funding, affordability and the skills-occupation mismatch. Governors proposed funding increases often to restore cuts made during the recession and in an effort to keep tuition down. Governors in California, Georgia, Maryland, Massachusetts, Missouri, Montana, North Dakota and Rhode Island proposed increasing state funding to prevent tuition increases, additional funds for scholarships, or, in the case of Gov. Steve Bullock in Montana, a tuition freeze. Funding for higher education facilities was also a top postsecondary priority, with calls for additional capital projects in Illinois, Kentucky, Montana, North Dakota and Tennessee. Finally, aligning the needs of employers with the skills of students received attention by several governors. Proposals included career ready task forces in Alabama and Michigan, training programs better targeted to in-demand skills and occupations in Delaware and Georgia, and work readiness initiatives for high school students in Indiana and Iowa.

Education proposals often overlapped with economic development proposals, whether increasing workforce skills to attract employers or generating jobs through capital projects on college campuses. Likewise, tax proposals, such as the elimination of the sales tax on manufacturing in Florida and the creation of an R&D tax credit in Washington, often were heralded as economic development initiatives. Claims of economic development permeated other issue areas as well, such as health care, transportation and natural resources, in which governors cited expected job gains from proposed projects and investments. Additional economic development agendas—beyond those found in other issue areas—included streamlining regulations, improving job opportunities for veterans, aiding the agriculture industry and encouraging entrepreneurship. Veterans were a particular priority, as in previous years, with governors in Arkansas, Idaho, Illinois, Indiana, Maryland and Michigan offering proposals such as licensing revisions for veterans and military spouses, state contracts for veteran-owned businesses and tax credits for employers hiring veterans.

Still Desperately Seeking Revenues

In spite of the prominence of health and safety concerns among governors this year, these chief executives remain focused on revenues—almost three-quarters mentioned ideas about tax policy changes and/or revenue enhancements. Many governors couched their ideas in terms of economic development—to maintain or enhance a business-friendly environment and promote job creation. Others presented equity concerns as a reason for attempting tax reforms and/or changes. Not surprisingly, much of the divide to cut or raise taxes fell along party lines. Many Republican governors discussed tax cuts or, at the very least, replacing certain taxes by doing away with some traditional state tax sources.

Nebraska's Republican Gov. Dave Heineman provided a comprehensive explanation of his tax plan, describing his state's tax system as mediocre and offering up replacement of the state's income tax with a reformed sales tax. Citing comparative statistics from a report by the state's Small Business and Entrepreneurship Council, he noted that Nebraska's top personal income tax rate is "higher than every one of our neighboring states." Also, unlike other states, Nebraska does not exempt retired military pay or Social Security income from taxation and continues to impose an inheritance tax. To give Nebraska a competitive edge, Heineman suggested eliminating sales tax exemptions because the state "exempts more than we collect." He concluded, "Nebraska wouldn't need to have an individual income tax or a corporate income tax" if sales tax exemptions were eliminated. Similarly, Republican Gov. Mike Pence of Indiana sought to lower the state's income tax by 10 percent. Kansas Republican Gov. Sam Brownback pressed for no state income tax, claiming that his "glide path to zero (income tax) will not cut funding for schools, higher education or essential safety net programs." Republican governors in Oklahoma and South Carolina also called for state income tax relief.

Democratic Arkansas Gov. Mike Beebe attacked his state's "onerous sales tax on groceries," promising to continue to chip away its rate to reach zero, if possible. Republican Tennessee Gov. Haslam wanted his state's groceries sales tax reduced from 5.5 to 5 percent in the next three years. He also seeks to raise the exemption level on Tennessee's estate tax "with a goal of reaching the federal level" while in office. Florida Gov. Rick Scott, also a Republican, wanted to do away with the state's sales tax on manufacturing equipment and exempt more businesses from having to pay taxes. "If we are successful this year, we will have removed the business tax from 70 percent of businesses since taking office," Scott said. Republican Virginia Gov. Bob McDonnell spoke of eliminating the state's gas tax by increasing sales and use taxes that are not applied to gasoline. "We will be the first state in the nation to eliminate the gas tax, which is projected to be in a long-term decline," said McDonnell.

Republican Idaho Gov. Butch Otter asked for an income tax credit to businesses for each new hire, as well as a $1,000 credit to employers for each veteran hired. Maryland's Democratic governor wants an expansion of job creation tax credits and a new cybersecurity tax credit. Republican Ohio Gov. John Kasich's budget plan cut taxes by $1.4 billion and allows for "a 50 percent tax cut to small businesses." Business tax relief and/or tax credit reform was sought by Republican governors in Mississippi, Nevada, and New Mexico as well as Democratic governors in Missouri and Montana.

Many governors discussed their efforts to pursue less complicated, more equitable tax structures. Republican North Carolina Gov. Pat McCrory called for tax policy that is simple, competitive, modern and pro-growth. The state's legislature has been making noise about eliminating its income tax to become more competitive with neighboring Tennessee, which has a limited state income tax, and Florida, which has no state income tax. Republican Alaska Gov. Sean Parnell suggested "a more balanced, competitive, predictable tax system," and asked for fair revenue proposals that generate new oil production and a competitive environment, and "simplify and restore balance to our fiscal system." He also called for cutting unemployment taxes, if the state's unemployment insurance fund is found to be solvent.

Democratic Kentucky Gov. Steve Beshear asked for modernization of an outdated tax code, suggesting a structure "that's fair to all of our citizens and easy to understand." Arizona Gov. Jan Brewer discussed simplifying the state's tax code as well, to "remove one more barrier to economic growth." Minnesota's Democratic Gov. Mark Dayton called for raising revenues responsibly and "making our tax structure fairer." Dayton wants to reduce Minnesota's sales tax rate and lower property taxes, replacing lost revenues with an increase in the personal income tax rate on high-income earners. Gov. Deval Patrick of Massachusetts had a similar plan, and acknowledged, "there is no good time to raise taxes." Patrick talked of cutting the state sales tax, earmarking those revenues for infrastructure and public works projects and simultaneously increasing the state income tax by 1 percent, doubling personal exemptions, eliminating some itemized deductions and dedicating the resulting revenues to education funding. New York's Democratic Gov. Andrew Cuomo pushed gaming as a source of new revenues, proposing casinos and gambling "to boost upstate development."

Several governors talked about dedicating funds to support their budget and policy agendas. Hawaii's Democratic Gov. Neil Abercrombie called for redirecting revenue that in the past has been funneled into the general fund to "go to the intended purposes of energy diversification and food safety and security." His ideas for using earmarked revenues include an increased tax on property transactions of more than $2 million and a 10 cent fee applied to single-use checkout bags.

Governors in Iowa (R) and Colorado (D) sought changes to school financing mechanisms and/or property tax reforms. While Hickenlooper in Colorado wants to rewrite the state's school finance legislation to untie the fiscal knot he says has been created by TABOR, the Gallagher Amendment and Amendment 23, Iowa's Branstad wants to replace 100 percent of property tax revenue for local schools with state aid. In New Hampshire, Gov. Maggie Hassan presented a budget that funds education investments by repealing a voucher tax credit "that would have diverted millions of dollars in taxpayer money to private and religious schools with no accountability." Vermont Gov. Peter Shumlin proposed making "the largest single investment in early childhood education in the state's history," by redirecting money from a tax credit toward affordable child care programs.

Branstad wants significant changes to the state's property tax system—also recommending full funding of homestead, elderly and disabled tax credits, reclassifying property, cutting the cap on valuation growth of properties, and reducing commercial and industrial property tax values. In Rhode Island, Chafee recommended $30 million in property tax relief via state aid to cities and towns and dedicated funds for local roads and streetscape projects. He also recommended supporting local governments "by providing access to abandoned tax credits." Governors in Idaho and Michigan are seeking property tax reforms, too. In Idaho, Otter wants to eliminate the personal property tax and provide local option taxing authority to counties so that "county voters can decide for themselves how to address their most pressing needs." In Michigan, Dayton wants reform that supports local governments, "make sure we have a yes vote on a proposition to keep that replacement revenue stream for local jurisdictions" (through user fee increases). Montana's Bullock proposed a property tax rebate to "everyone with their primary residence in the state."

What's Left?

Education maintains its top spot on the list of issues for governors this year in spite of the rising issues of health care and public safety. Other traditional hot topics in states—such as jobs and taxes—were less likely to be addressed this year. In fact, of the 10 issues that fall behind safety and corrections—those issues addressed by less than two-thirds of the governors—only ethics reform was discussed by more governors this year than last; more than double the proportion of governors considered ethics reform this year compared to last year. On the other hand, governors' consideration of rainy day funds, reserves, deficits and/or surpluses, performance and accountability issues, and pensions dropped by almost half each this year.

The popular conversation around rainy day funds concerns replenishment. As revenues continue to improve, refilling rainy day funds seems to be a priority for some chief executives; this year, 32.7 percent mentioned these funds, reserves, a surplus or a deficit compared with 60.5 percent last year. In fact, one-quarter of the governors proposed increasing reserve funds or even discussed surpluses in their recommended budgets. Rainy day funds totaled more than 10 percent of state general funds in the mid-2000s, but dropped to 2.5 percent in 2009 and 2010 as governors relied on reserves to fill a portion of the recessionary budget gaps.[11] Excluding Alaska and Texas, both states with sizeable reserve funds, state rainy day funds stand at 5 percent of state general funds in fiscal 2012. Although 5 percent has been considered the rule of thumb for healthy reserves, Scott Pattison, executive director of the National Association of State Budget Officers, said this level may be too low to provide much help going forward in light of increased volatility in state revenues.[12]

Governors in Alabama, California, Colorado, Florida, Hawaii, Idaho, Indiana, Maryland, Montana, Tennessee and Virginia mentioned increasing reserve funds as part of their budget priorities for the coming year.[13] Additionally, governors in Kansas, Minnesota and Mississippi highlighted a surplus produced by their proposed budgets. California's Brown argued for shoring up reserves "against the leaner times that will surely come." Hawaii's Abercrombie tied the need to grow reserve funds to protecting the state's bond rating. Governors in Texas and Wyoming proposed spending a portion of their state's rainy day funds. Perry proposed using $3.7 billion of the $12 billion in Texas's rainy day fund for one-time infrastructure projects, arguing that the state "shouldn't accumulate billions more [in the rainy day fund] than necessary."

Conclusion

To a certain extent, governors' addresses this year, like last year, remain constrained. At least two-thirds of governors considered education, health care, jobs, taxes and public safety in 2013. The basket of issues is fuller this year—five issues compared to three, but includes health care and safety—natural areas of focus due to the impending implementation requirements of federal health care law and given the tragic shootings across the nation, particularly the one in Connecticut around the time that many governors began crafting their state speeches. Governors seem resigned to a very slow fiscal recovery in the states. For example, much of their discussions about revenues regarded shoring up rainy day funds for the next storm and/or exchanges among tax sources—eliminating one type of tax, changing another type and/or implementing a different type—if not a request to eliminate a tax altogether. Most of these ideas are pressed as economic development, to create a strong business friendly climate. Aside from those five issues and including ethics reform, it was less likely that governors addressed any of the other issues typically investigated in this research. It would seem that governors are settling into a moderate, careful vision for state government operations in the future.

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 2013 state of the state addresses were accessed from January 1 through March 12, 2013, via *www.nga.org* or *www.stateline.org* or the state government's homepage. This research considers those 49 states with transcripts available at these sites as of March 12, 2013. The only speech not available by this date was that for the State of Louisiana. 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 2014—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. (2013). Governors Roster 2013. Accessed on March 10, 2013 at: *http://www.nga.org/files/live/sites/NGA/home/governors/current-governors/col2-content/list---governors-links/current-governors-by-state-party%40/GOVLIST.PDF*.

[3] National Conference of State Legislatures. (2012). Party composition of state legislatures. (Dec. 12). Accessed on March 10, 2013 at: *http://www.ncsl.org/legislatures-elections/elections/statevote-charts.aspx*.

[4] Dadayan, L. and Boyd, D.J. (2013). State tax revenues continue slow rebound. The Nelson A. Rockefeller Institute of Government, *State Revenue Report* (February) 90. Accessed on March 10, 2013 at: *http://www.rockinst.org/pdf/government_finance/state_revenue_report/SSR-90.pdf*.

[5] Dadayan and Boyd, 2013.

[6] Dadayan and Boyd, 2013.

[7] National Conference of State Legislatures. (2013). States' reaction to sequestration: Frustration over continued uncertainty, flexibility needed. NCSL Statement (Feb. 26). *http://www.ncsl.org/press-room/ncsl-sequestration-statement.aspx*.

[8] Parrott, S. (2013). Sequestration's impact: It's real. Center on Budget and Policy Priorities, Off the Charts Blog (Feb. 25). *http://www.offthechartsblog.org/sequestrations-impact-its-real/*.

[9] Musumeci, M. (2012). A guide to the Supreme Court's decision on the ACA's Medicaid expansion. Kaiser Family Foundation's Commission on Medicaid and the Uninsured, (Aug.). *http://www.kff.org/healthreform/upload/8347.pdf*.

[10] Advisory Board Company. (2013). Where each states stands on ACA Medicaid expansion. (Mar. 27). *http://www.advisory.com/Daily-Briefing/2012/11/09/MedicaidMap#lightbox/1/*.

[11] Lemov, P. (2013). Revisiting and replenishing rainy day funds. *Governing*. (Feb. 28). *http://www.governing.com/columns/public-finance/col-revisiting-replenishing-rainy-day-funds.html*.

[12] Lemov (2013).

[13] In addition to those governors highlighting reserves in their state of the state addresses, governors in Arkansas, Michigan and Oklahoma proposed rainy day fund increases in their budgets, according to NASBO.

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