

Madam Lt. Governor, Mr. President, Mr. Speaker, Leaders, justices, judges, legislators, elected officials, distinguished guests, family, friends and fellow Iowans.

Today it is my honor to stand before you and deliver this, my 17th State of the State address in this great chamber.

And while 17 doesn't sound like such a big number to me, my wife Chris would tell you it just means I don't know when to quit talking.

I stand here today, older and wiser than during my first such opportunity those years ago, but:

With a heart full of pride,

With a head full of ideas, and

With a state full of new opportunities to grow and prosper as never before.

Last year we, like so many other states, faced serious budget challenges and unacceptably high levels of unemployment.

Eighty-nine programs were funded with one time money that was due to run out — to the tune of \$900 million. In other words, it amounted to nearly one-sixth of our entire general fund budget.

More than 100,000 Iowans were out of work and seeking jobs and thousands more had simply given up hope.

My charge to each of us was simple, yet significant:

To restore predictability and stability to our state budget

To ensure our decisions were sustainable for the long term; and

To set the stage for a period of unprecedented economic expansion

Together, we took on these challenges—as Iowans always do.

And while the process was messy—as it always is,

And though none of us got everything we sought—as we never do,

We took the necessary steps to put the state’s fiscal house back in order; ended our dependency on one time revenue; funded a balanced budget using on-going revenue; and passed a biennial budget that funds most areas for two years.

Here in Iowa, we are a model for the nation of how Republicans and Democrats can work together for the common good of our people.

Iowans deserve a budget that works, a budget that focuses on the essentials, a budget that reflects the character and ideals of Iowa’s hard-working taxpayers, and together we delivered just that.

So take this moment, before the hard work of this session begins, and congratulate your fellow Legislators for a job well done as I congratulate each of you.

Now, with our fiscal house much improved, and our fiscal year 2013 budget already substantially completed, we have a tremendous opportunity to focus the next few months on two other critical priorities:

First, creating new jobs and careers for Iowans to significantly raise family incomes, and

Second, adopting common sense solutions for our schools to give our children a world class education.

We must share the urgency of lowans to revitalize our economy and improve our schools.

We must commit long-term to make Iowa ready to support the jobs and careers of the future—the very careers that will keep lowans home and bring new economic opportunities to our state.

This past year we took the first steps toward improving Iowa’s economic health.

Together, we created the Iowa Partnership for Economic Progress which will lead our state’s efforts to encourage Iowa entrepreneurs and small businesses.

In addition, I signed an executive order that requires a jobs impact statement for any proposed administrative rule.

These are just the first steps on our path towards a renewed prosperity that brings greater economic opportunity to all lowans.

While improvement is being made, there is still much work to be done and it is going to take the cooperation of every member in this Chamber to provide the opportunities lowans deserve.

The “all or nothing” politics that often prevents our leaders from making progress on so many issues in Washington, D.C., and in other state capitols does not have to happen here.

In Iowa, we have a shared responsibility to do our work differently; to come together in the best interests of all lowans; and to shed the partisanship that makes good public policy so elusive.

The simple truth is Iowa no longer only competes against other states for attracting new jobs, careers, economic development, and investment.

We now compete in a worldwide economy. We must compete with Brazilian ethanol, with Chinese production of technology, and with every other emerging nation ready to claim our economic mantle.

I have seen first-hand the economic and educational growth around the world. This past September, I traveled to Korea, China and Japan as part of a trade and investment mission.

While in Beijing, I met with Vice President Xi Jinping.

Vice President Xi visited Iowa in 1985 as a Hebei Province party official.

Now, he is the Vice President and this year he will become the President of China. Out of that meeting one message was clear: for Iowa to compete in the future, we must compete globally.

On that trip, I met with companies in each country I visited. I was able to communicate a message that Iowa is open for business and poised for growth—a message that Iowa is full of hard-working citizens who are ready to work.

As a result of those efforts, we convinced South Korean company CJ to invest \$324 million in the Fort Dodge area and bring 180 great jobs to Iowa.

However, companies abroad should not be the sole source of our growth.

American companies have seen the work we have collectively done to enhance stability in our state through our fiscal discipline.

As a result, numerous companies have announced their relocation or expansion plans for Iowa. Cargill purchased the Tate & Lyle's plant in Fort Dodge and will create over 100 new jobs in Webster County and provide another market for Iowa corn.

ALCOA is investing nearly \$300 million in their Davenport factory where they will begin producing automotive aluminum to meet the rising demand for lighter and more fuel efficient vehicles.

The combination of our strong agricultural, bio-science, manufacturing, and financial sectors means Iowa is better positioned than most states for economic expansion.

But I believe being better isn't good enough. I say we should strive to be the best.

I am convinced that Iowa stands at the precipice of a major economic expansion. But that expansion is not guaranteed.

Our opportunity for unparalleled growth is like the opportunity a good Iowa field affords a farmer, but work must be done before a harvest can be reaped.

Our job creators are ready, the question is are we?

Are we ready to plant the seeds for growth and prosperity?

If the answer is yes—and the answer must be yes—then we must develop the permanent tools job creators, career builders, and hard-working Iowans so critically need.

And that is why I am today proposing a four point plan of action—a focused initiative designed to help create the jobs we need today and the careers we need tomorrow.

The first piece of my action plan should come as no surprise to anyone.

This year I will submit to the General Assembly a revised plan to reduce commercial and industrial property taxes by 40% over the next eight years.

Commercial property taxes in Iowa are the 2nd highest in the nation and I believe there is agreement within this chamber that these taxes must be reduced—not because they cost businesses money, but because the cost Iowans, jobs.

What has been lacking in this discussion, I believe, is an understanding of the consequences for small business owners who struggle to keep their doors open and their workers employed, due to this backbreaking business burden.

Today, sitting with my family, is Ying Sa. I met Ying at the Iowa Immigrant Entrepreneurial Summit.

She is a leader who has helped hundreds of immigrant entrepreneurs start successful businesses in Iowa, including her own.

Ying and nearly 500 other Iowans met to discuss their experience of starting businesses and their dreams of success here in Iowa. I was honored to address their summit and to recognize 125 immigrant entrepreneurs who started a new business in Iowa last year.

Ying has a growing CPA business, but does not own her office space.

Rather, she leases the property and she, like thousands of other small business owners across Iowa, feels the brunt of our high property taxes through net-net leases wherein she pays the full cost of the property taxes attributable to her footprint.

Ying, will you please stand up.

She and the thousands of hopeful small business owners are the Iowans who most need commercial property tax relief.

Will each of you commit today to a permanent property tax solution for Ying, for all of her fellow small business owners, and for the tens of thousands of Iowans seeking jobs?

Passing our plan will give Iowa business owners permanent relief and a fighting chance to compete.

In addition, our plan prevents a shift to other classes of property by limiting local government spending and by cutting in half the annual growth limit for residential and agricultural property.

The second piece of my action plan is to give our new Iowa Economic Development Authority the tools it needs to lead our job creation efforts.

Last year the Legislature directed us to create a replacement for the Grow Iowa Values Fund and we are proposing a new \$25 million annual investment in our existing High Quality Jobs Program.

The High Quality Jobs Program has a proven track record of success and a documented return on investment of two dollars in new tax revenue for every one dollar invested.

This direct assistance component gives Iowa Partnership for Economic Progress an important tool in attracting high-quality businesses and careers to Iowa.

In addition, my proposal will be structured so state investments in the program will decline over time so the program will be self-funding within 10 years as a direct result of the jobs it brings to Iowa.

The third component of my jobs and careers action plan will encourage those small businesses that supply key components to our strong manufacturing sector to grow their facilities and create new jobs in Iowa.

Often, major manufacturers have large supply-chains, filled with companies that produce vital components for the anchor manufacturer.

Manufacturing must remain an important part of our diversified Iowa economy.

I will offer legislation that removes the barriers that discourage suppliers from bringing their businesses close to their best Iowa customers.

We have major anchor manufacturers like John Deere in Waterloo. Let's develop a supply chain cluster wherein surrounding towns attract those smaller support businesses that feed John Deere.

Without question, the jobs such suppliers will provide in Hudson, LaPorte City, Parkersburg, and Denver are equally as important to those communities as the jobs John Deere provides to the citizens of Waterloo.

The final piece to this jobs and careers puzzle involves the dilemma faced in many rural Iowa communities when a local anchor business is put up for sale.

When hometown businesses are sold to out of town, out of state, or out of country buyers, the local community often suffers.

We must work to keep Iowa companies in Iowa, even when an ownership change takes place.

This is not just a tool for Iowa businesses; it is a tool for Iowa communities—Iowa communities where these companies represent so much more than jobs; where these companies represent our families, friends and way of life.

Many of these companies have operated in Iowa for years, operated by owners committed to the local way of life. And when these owners wish to retire, they must have options for keeping their company local.

I am proposing legislation that will encourage the formation of Employee Stock Option Plans to encourage the sale of these local businesses to the very employees who have made that company a profitable success.

Our plan will encourage more Iowans to own a stake in their company, to reap a greater share of the fruits of their own labor, and to help protect the quality of life in their local community.

Employee ownership is great for the Iowa communities in which these businesses, jobs, and careers exist.

My four point plan of action to create the jobs we need today and the careers we need tomorrow is essential and I ask for your bipartisan support to get it done.

But we cannot leave any discussion about Iowa's future without focusing on our most precious natural resource—our children.

With four young granddaughters, I understand the importance of that commitment at a time when new technology and other forces are rapidly reshaping the labor market.

Our children's future depends on whether they learn the knowledge and life-skills needed to succeed in a global economy and be well-informed, good citizens for the 21st century.

Our state's future depends on whether the quality of our schools matches the best-performing schools anywhere in the world.

Today we have with us in the galleries students from Van Meter, Ankeny, and Capitol View Elementary here in Des Moines.

I have asked them here, because today we take a crucial step towards ensuring they have opportunities to pursue their dreams by being among the best educated anywhere.

The bottom line is education must be a greater priority for our state, because if our schools are not the best, then we will fail these young people and all those young Iowans who follow them.

Last week Lt. Governor Reynolds and I unveiled our updated education reform blueprint. It is the product of nearly a year of work:

that work included our education summit that brought together some of the best minds from Iowa, our nation, and the world,

then was followed with the release of an initial blueprint to start a statewide conversation on how to give our kids the best education,

and at that point we hit the road to hold an unprecedented number of education town halls to engage students, parents, teachers, job-creators, and other Iowans in a true give-and-take dialogue about the future of our education system,

with a final step of revising the blue print into the actual reforms that are before you now.

Here are some steps we need to take together to turn Iowa's good schools into world-class schools.

One, we need a great teacher in every classroom and a great principal leading every building. That starts with being more selective about who can become an educator. A "B" college grade-point average for admission to Iowa's teacher-preparation programs is not asking too much.

Two, all prospective teachers seeking a state license should demonstrate content and teaching mastery to assure they are ready for the crucial work of teaching our children.

Three, the School Administration Manager program should be changed to provide more time for principals to be instructional leaders. Other staff can take on management tasks to free principals to observe and coach teachers in their classrooms.

Four, the Iowa Department of Education will continue to improve the Iowa Core —our state standards in math, science, English, and social studies. But well-rounded, healthy students need more than just these core areas.

The department will work with educators to develop new standards for music and other fine arts, character education, physical education, entrepreneurship education, applied arts, and foreign languages.

Five, a new kindergarten assessment will measure whether children start kindergarten ready to learn and leave prepared to flourish in first grade.

Six, end-of-course tests for core subjects will demonstrate that high school students are ready to graduate. These will be designed with teachers, and will emphasize not just knowing content but being able to apply it.

Seven, all juniors should take a college entrance exam, with the state covering the cost. In addition, they should have the option of taking a work skills readiness test. This will tell us whether Iowa students are college and career ready for life after high school.

Eight, let's assure that children can read by the end of third grade. Otherwise, they will fall further and further behind. An intensive focus on literacy means working closely with families and providing more support for reading and writing in schools starting in preschool, and continuing through kindergarten, first, second, and third grades.

Because reading is so essential for later success in school, it is unfair to promote an illiterate child.

Nine, Iowa has some highly innovative schools, and we should encourage more schools to be innovative. Youngsters need more opportunities to engage in real-world experiences—including internships—in science, technology, engineering and mathematics.

Doing well in these subjects is the gateway to fast-growing fields with some of the best-paying jobs—whether students are headed for career training or a two- or four-year college.

To encourage such efforts, Iowa should establish an Innovation Acceleration Fund. Schools and partners will identify education problems and innovative solutions. Competitive grants will fund the best ideas, which may be scaled up statewide.

Ten, online learning that complements learning in traditional classrooms should be promoted.

So should competency-based learning that personalizes education for each child, and begins the process of moving us away from the time-based industrial model of education.

Let's do all this and more for our children with a bipartisan consensus that will stand the test of time.

Don't Iowa's students deserve a world-class education?

We have a decade of hard work ahead of us.

So let's get to work, because this is not about this administration or the next, or the one after that. It is about our children's future and our state's prosperity and growth.

Let's work together on a bipartisan basis to put in place common-sense solutions that are sustainable: by adapting best practices that work and by innovating to find new approaches that fit Iowa.

Let's work together to continually improve because that's what the highest-performing school systems do to give their children a world-class education.

Let's work together to continually improve because lowans will hold us accountable.

The solutions I've outlined today are about the future.

They are about ensuring the American Dream and the Iowa way of life will be passed on to our children.

Imagine... filling Iowa's Main Streets with thriving businesses, busy restaurants and happy customers;

Imagine... creating the kind of long-term careers that keep young lowans home and attract those who have left to return to their roots;

Imagine... schools that are among the best in the world and provide our children and grandchildren with endless opportunities to pursue their dreams.

These are not empty aspirations; rather, they are all part of a grand vision for restoring a healthy Iowa.

As the Lt. Governor and I traveled to all 99 counties last year, one thing was made absolutely clear to us—Iowa must strive to be the best.

Where in other parts of our nation uncertainty has become the new reality, it is imperative we make Iowa the center of stability and innovation.

As we work together towards these goals, we must all remember that lowans are holding us accountable.

We have an obligation to exceed their expectations, and begin building on our foundation for growth.

I believe our aspirations for a better tomorrow can and will ignite our capacity to innovate.

So, let's innovate today.

Let's provide the permanent tools that our small businesses and hard-working taxpayers so critically need.

Let's commit to new job and career opportunities for all Iowans.

Let's give our children the best education in the world.

Let us,

Republicans and Democrats,

rural and urban,

all Iowans,

become a bright beacon of hope to the rest of the nation and show them how a motivated people,

working together,

with the best interests of our children in our hearts,

and a set of new tools in our hands,

can solve our common problems and bring to Iowa unprecedented economic expansion and unequalled educational opportunities.

This is our challenge. This is our mission. This is our obligation.

Thank you.

God bless you and God Bless the great state of Iowa.