



**OFFICE OF THE GOVERNOR
Rick Perry**

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Text of Gov. Rick Perry's State-of-the-State Address
February 6, 2007

(NOTE: Gov. Perry frequently deviates from prepared text.)

Members of the Legislature, distinguished guests, my fellow Texans: It is an honor to speak from this historic dais once again just three weeks since I took the oath to serve as your governor for four more years.

I am honored to appear before you today with my best friend by my side. She has been there through the good times and the bad for nearly 25 years of marriage – the love of my life – the First Lady of Texas, Anita Perry.

Joining me today are two strong leaders. Three times the people of this state have elected the man who serves as your lieutenant governor. He is a bright and compassionate leader, and the top cutting horse rider in the Texas Senate, my friend, David Dewhurst.

And three times the members of this House have elected their leader as speaker. He has been my partner in the conservative cause for more than 20 years, my long-time personal friend and fellow West Texan, Tom Craddick.

As we begin 2007, Texas is perched at the forefront of a new era of prosperity. The economy is growing and government revenues are on the rise. Our state surplus is larger than ever just four years removed from our largest shortfall ever.

Frivolous lawsuits are down, as are insurance rates for homeowners and doctors.

Thanks to medical liability reforms, hospitals are once again able to recruit specialists whose expertise can mean the difference between life and death.

School funding, teacher pay and classroom achievement are all up. More Texans have a job than ever before, and more own a home – a trend that is unlikely to change because you had the wisdom to cut school property taxes by 33 percent last year.

The high-tech engine is once again generating jobs, innovation and investment. Our state is building roads faster than any state in the nation. And a landmark telecommunications competition law has resulted in better choices for consumers while uncashing over a billion dollars in new investments.

For many, times are very good. But left out of the jubilation are nearly four million Texans who live in prosperity's shadow rather than its light.

Many live in families without a college education or even a high school degree. Some are low-wage earners whose jobs are not a transition but a dead end. And too many are single parents that hold two jobs to pay the bills while feeling guilty that their children are home alone.

No child chooses to be born into poverty. And no parent wishes to see their child go hungry. Yet, for too many, that is the harsh reality of their lives. And these dire economic conditions are often exacerbated by wrong choices, such as drug addiction, debt, and the decision to drop out of school early.

For the next four years, my goal is to spread opportunity far and wide for those willing to take personal responsibility for their lives and those they bring into this world.

I do not believe government can solve every social ill. Nor do I believe we can tax and spend our way to prosperity.

I do believe, however, there are investments we can make today that will lift people out of poverty, bolster the middle class, and ensure the Texans of tomorrow are less dependent on government.

This moment in time is a unique opportunity to address great challenges and build the foundation for a future of unparalleled prosperity.

One of the greatest obstacles to individual prosperity is the rising cost of healthcare. Years of hard work and savings can be wiped out with the onset of one life-threatening illness. Every day millions of our citizens play a dangerous game of healthcare roulette as they go without health insurance.

Of the five and a half million uninsured Texans, two million are adults with incomes below 200 percent of the federal poverty level. Most are working Texans whose jobs offer healthcare benefits they can't afford, or no benefits at all.

Today I am proposing a new initiative called "Healthier Texas" that will open the door to more affordable insurance options for two million working Texans. This initiative redirects hundreds of millions of federal dollars spent on uncompensated care for the uninsured to the creation of a funding pool to purchase insurance for working Texans below 200 percent of the federal poverty level.

For every half a million Texans that sign up for insurance under this plan it would cost the state a little more than \$200 million and help us draw down a federal match of more than \$300 million.

And there would be no cost to state general revenue, which I will explain in detail in a few minutes.

Under Healthier Texas, the state would provide monthly premium assistance payments of as much as \$150 per individual, depending on family income. For some this would help with the purchase of a catastrophic plan. For others it could be part of the financing for a full-benefit plan that could include contributions from employers and individuals too. And for a low cost we could add children too.

The financial cost would be modest, the social benefit extraordinary.

That's because this plan recognizes the long-term benefits of providing Texans preventative care through insurance instead of paying for costly emergency room visits.

Patients once stuck in overcrowded emergency rooms would start seeing primary care physicians. Preventable conditions would be treated with less pain and at a lower cost. And we will make the private insurance market more robust.

This solution recognizes the wisdom of expanding the insurance market without a government takeover of your healthcare and without adding one more Texan to the government rolls.

Like any plan, its success will depend upon the willingness of uninsured Texans to enroll at a modest cost. The foundation of personal empowerment is personal responsibility. Government can design programs, but adults must take the initiative to do what is best for their children and themselves.

Access to quality healthcare and affordable insurance is a challenge for all Texans, especially for the employees and owners of small businesses.

I don't believe the answer is government-mandated insurance. Like payroll taxes, mandated employer contributions discourage the economic activity we want to promote, which is job creation.

In Texas, we have begun to address this issue through the creation of health cooperatives and purchasing groups that allow various small employers to band together and seek more affordable insurance by creating a larger patient pool.

We must also be careful during this important debate to not confuse access to insurance with access to quality healthcare. Even those with insurance coverage can be denied vital care when medical decisions are made by insurance companies instead of doctors. And Government-run programs, like Medicaid, offer doctors a paper thin margin while causing exploding costs in state budgets.

We must take innovative measures, with the help of Washington, to reform Medicaid.

There is no reason for healthy children and pregnant women to have the exact same benefit plan as Medicaid recipients with long-term healthcare needs.

Washington's "one size fits all" approach to Medicaid will bankrupt the states. To Washington I say this: give us flexibility to design different plans for different populations, to introduce co-payments for emergency care in order to encourage preventative care, and let us give consumers greater choices.

Healthcare is the only significant sector of our economy where consumers don't know the price of products and procedures, and often don't care. For those that are insured, little thought goes into effective healthcare utilization because someone else pays the bill once co-payments and deductibles are met.

For some, the best way to lower the cost of healthcare is through market-driven incentives like health savings accounts. These accounts put healthcare decisions back in the hands of consumers who have a renewed incentive to control costs.

Healthcare is also one of the last sectors of the economy yet to embrace the information technology revolution, including electronic medical records. Electronic records are critical to reducing medical errors and stopping healthcare fraud.

And ensuring patients have the best care possible requires more than the lawsuit reforms we passed in 2003 – it requires better Medicaid reimbursements. That's why my budget invests more than a half billion dollars to increase Medicaid reimbursement rates for hospitals and physicians.

Let me say a few words about the human side of the healthcare issue.

A man of faith once told me that the statistics of death are one out of one. Though his point had to do with the hereafter, it got me to thinking about how quickly our lives can change in the here and now.

One day you're as healthy as can be, the next you are in the fight for your life against a deadly disease like cancer. Cancer does not discriminate based on age, gender, race or income. It can strike the fittest of athletes, and the smallest of children.

Rick and Lori McGrath watched their daughter -- Marin -- battle brain cancer at the age of two. The doctors thought she had won the battle, but two years later she had a recurrence of the same cancer. At the age of four her precious little life was lost, and all its great potential.

For all the little Marin's of this world, we must do everything in our power to defeat cancer. Rick and Lori, we are sorry for your great loss. Thank you for your courage.

I don't know when the day will come that we find a cure for cancer, but I do know it is my dream to accelerate its arrival with a multi-billion dollar cancer research initiative that can save lives and provide millions renewed hope.

Recent progress gives us hope of ultimate victory against this disease. For the first time ever we have a vaccine that can prevent a cancer -- a vaccine that prevents the spread of HPV, the leading cause of cervical cancer in women.

I understand the concern some of my good friends have about requiring this vaccine, which is why parents can opt out if they so choose.

But I refuse to look a young woman in the eye ten years from now who suffers from this form of cancer and tell her we could have stopped it, but we didn't. Others may focus on the cause of this cancer. I will stay focused on the cure. And if I err, I will err on the side of protecting life.

Sadly, there is still so much we don't know about cancer. The proposal I offer is large enough in scale that it will attract world-renowned researchers to Texas to find the cure for cancer. It is also large enough that it will bring our university scientists together in a tremendous collaborative effort to find a cure. And aggressively pursuing this kind of research does not require the use of embryonic stem cells.

I am also proposing a source of funding that does not dry up with time or cost the state general revenue, unlike a bond proposal.

Conservative estimates tell us that the state lottery could be sold to the private sector for \$14 billion. Using these resources, we could create a \$2.7 billion endowment for the uninsured that generates close to a quarter billion dollars in interest payments every year. We could also create a \$3 billion cancer research trust fund that would annually generate more than a quarter billion dollars each year to the fight against cancer. And the rest of the money – more than \$8 billion – could be dedicated to a public education endowment that would provide about \$800 million a year for public education.

Imagine the possibilities if we create a permanent endowment for public education, a permanent source of funding for making health insurance more affordable and available, and a long-term source of substantial funding to fight a disease that touches the lives of virtually every Texan.

If you are thinking about how all the numbers work, don't forget these numbers too: there are 400,000 Texans who have survived this deadly disease but who know its great emotional cost. There will be 95,000 Texans diagnosed with cancer this year. And 34,000 Texans will lose the fight and die too young.

These people are our neighbors and our co-workers, our husbands and wives, our precious children.

Why take such a bold action, such as selling the lottery, in a time of record surpluses? Let me tell you why: two states are currently trying to sell their lotteries and several more are likely to follow. If we delay, the market price is likely to be less in the years to come. But if we act now, we can invest in our classrooms, laboratories and hospitals, giving hope to those who need it most.

Expanding cancer research is a worthy goal for this legislature, but it is an absolute passion for those on the front lines of this fight: people like the renowned medical pioneer and president of M.D. Anderson, Dr. John Mendohlson. Please join me in welcoming Dr. Mendohlson and his wife Anne.

Let's give our best doctors every possible tool in the fight to save lives.

(pause)

It is a tragedy whenever we lose someone to a deadly disease, and it breaks my heart when people die prematurely from conditions that are completely preventable.

We are experiencing an epidemic of obesity among our children that – if not confronted – will ensure this youngest generation will be the first in American history to live shorter lives than their parents.

Poor nutrition and bad exercise habits result in higher numbers of diabetes cases and future coronary problems. That's why I have asked the Texas Education Agency to work with every school in Texas to perform a youth fitness evaluation. We will evaluate every student's fitness level and look at corollary data such as student absenteeism, discipline problems, and academic success.

The goal will be to use this data to develop a fitness regime in our schools and neighborhoods that will get more children in shape, improve academic performance and set them on course to a lifetime of health and happiness.

For the children of disadvantaged families, there is one singular hope for removing them from a cycle of poverty and despair: and that is a quality education.

Texas faces unique challenges in this regard. There are more than 600,000 schoolchildren who speak English as a second language, many of whom arrive in the classroom grades behind.

Other children not only have the disadvantage of a poor educational foundation, but they have no guiding influence at home. This is why there is no profession more important to our future than the teaching profession.

Last summer, we worked together to pass a \$2,000 pay raise for every teacher in Texas. But we didn't stop there, because teachers deserve to be treated as individual professionals and not merely as a monolithic profession.

Starting this fall Texas will have the largest performance pay program in the nation to reward teaching excellence, and I will do everything in my power to see that it stays that way.

Just as we should reward the best, we must also do more to equip more teachers to succeed – especially those who are new to the classroom.

I support recent recommendations to improve teacher performance, including greater professional development, a renewed focus on best practices, and removing from our classrooms that small percentage of teachers that chronically under-perform.

In education, we have done some groundbreaking work. We were the first state to implement a college-prep curriculum as the standard coursework, the first to tailor individualized graduation plans for at risk students, the first to create customized study guides for students that fail state assessments.

But we still have achievement gaps, and the best place to rectify those gaps is during the earliest learning years.

That's why my budget invests an additional \$80 million to expand the "Early Start" pre-K program that uses pioneering techniques to improve learning among our youngest at-risk students.

Perhaps no student population is at greater risk than the children of prisoners. 70 percent are destined to follow a parent's path behind bars if no one intervenes. This is a national tragedy. We must break up the generational cycle of incarceration. That is why Texas was the first state to offer a statewide grant for the Amachi program administered by Big Brothers Big Sisters, which mentors the children of prisoners. For the sake of these children, I ask you to continue funding this important program which changes lives.

When it comes to education, we must recognize its value in an interdependent world. Today knowledge is more valuable than raw labor, and those nations that prosper by pushing the envelope of innovation are those that invest in vibrant colleges and universities.

That's why I have proposed expanding financial aid by \$360 million – so Texas can compete in a global economy.

The budget I submit today consolidates numerous financial aid programs into one, and leverages Lieutenant Governor Dewhurst's concept with the "B on Time" program by requiring students to take a certain number of hours per semester, maintain a grade point average of 3.0 or higher and graduate on time.

Some have complained these high standards will hurt certain students. But I believe all children have the capacity to excel and we should have high expectations for students of every background.

I am also advocating that we set aside \$40 million for a new Texas Technology Grant program. Texas produces 5,500 graduates a year in electrical engineering, engineering technology and computer science while our economy produces 11,000 annual job openings in those fields.

Visiting the Texas Capitol today is astronaut Joan Higginbotham, the nation's third African-American to fly into space.

A member of the Links Program – a public service organization of 10,000 women dedicated to expanding opportunities for African-American women – Joan is an inspiration to many, and living proof that children of all backgrounds can reach for the stars.

Let's invest in technology scholarships so that Texans are on the forefront of technology innovation, whether it is here at home, or in outer space.

There is another industry shortage we must address because lives are at stake – and that is in our state's nursing profession.

I am proposing a \$50 million nursing initiative that addresses this shortage in two ways: first, it provides new incentives for recruiting more students and faculty; second, it allows aspiring nurses to become licensed through a pilot program at our hospitals.

In total, the investment I am seeking for higher education is \$1.7 billion in new money. Included in my proposal is full funding of the Irma Rangel Pharmacy School and the El Paso Medical School. Under my plan, \$300 million in new funding is tied to schools meeting performance targets. Funding would increase for degrees awarded in critical fields, graduation rates and success with at-risk students.

One of the fundamental changes envisioned by this plan is ensuring more funding follows the students. Ultimately, higher education is not about the buildings we fund but the lives we improve – and we will improve a lot of lives if you increase financial aid by \$360 million.

Joining us today are outstanding examples of how an investment in higher education can pay great dividends. Please join me in welcoming some of our newest student regents.

I am also asking members of the Legislature to join me in making higher education budgets more transparent by breaking out spending into more detailed line-items instead of the current practice of listing entire university budgets in one lump-sum.

Just because custodial services or building expenditures are listed in a line-item does not mean they are more likely to be vetoed, but it does mean Texans will have a better idea of how their money is spent.

Just last week my office, like Comptroller Combs, began disclosing office expenditures on the Internet.

I believe every agency ought to publish its spending on line. The Texas Education Agency has already taken this to heart. Government that is open and honest will always be able to withstand the light of day.

Honest budgeting also requires us to end the practice of raising a fee for one purpose and diverting the funds to another purpose. Trauma funds, utility discount dollars and clean air funds have all been diverted to other purposes, often to balance the budget.

The solution to this is simple: either we spend fees for the purpose they are collected, or we give the money back.

I agree with Speaker Craddick that this practice has done damage to a vibrant parks system. This session let's spend the sporting goods tax on what it was collected for: to create first-class parks that give our people open spaces and fresh air for needed recreation.

Today I have proposed a budget that invests in healthcare and higher education, a budget that cuts property taxes and eliminates accounting gimmicks, and that grows the Rainy Day Fund to more than \$4 billion.

Not only that, it expands upon the record property tax cut of last year by setting aside an additional two and a half billion dollars for tax relief.

One way to provide tax relief is in the form of a rebate. The appeal of a one-time rebate is that future legislatures don't have to find the money to sustain it. However, the will of the Legislature may be to provide rate relief instead. Either way is better than the alternative: which is having the money spent on more government.

And for the record, I don't believe cutting taxes is the same thing as spending. A spending cap is meant to stop runaway spending, not runaway tax relief.

The fight for lower property taxes requires not only a reduction in tax rates, but greater control over appraised values. I believe Texans deserve more than property tax relief – they deserve appraisal relief.

It is not good enough to only make appraisals more accurate through sales price disclosure. By itself, this action will only lead to higher taxes. We must also restrain appraisal windfalls. I believe local governments should be able to raise all the revenue they need, just do it with a vote and not through the appraiser's note.

And if you want to spend more than five percent a year, there is no need to be shy about allowing the people to vote. For years they have supported worthy bond proposals, and they will do the same for good investments in local priorities.

I believe the state should live under a similar spending cap. In a time of record revenues, there is a temptation to spend more than we can sustain in the years to come. That's why I am proposing a stricter spending cap that is tied to the average inflation and population growth of the last six years. This session such a spending limit would be three and a half percent lower than the current spending limit, and would amount to a state spending increase of less than five percent a year.

When you exclude tax relief from spending calculations, the budget I have proposed grows state spending less than an average of five percent a year, and more than half of that money – \$5 billion – is the cost of getting right with the people after years of accounting sleights of hand.

Payments delays and other accounting gimmicks remind me of that character from Popeye - Old Wimpy –who liked to say, "I will gladly pay you Tuesday for a hamburger today." My friends, Tuesday is here. No more Wimpy budgeting.

I am also proposing a \$100 million investment in a more secure border. There is no such thing as homeland security without border security. It is not hyperbole to say terrorists view our international border with Mexico as a prime point of entry – that is the conclusion of the U.S. intelligence community.

While the vast majority of people who come here illegally are economic migrants simply seeking a better life, the small percentage seeking to cause us harm don't dress differently. Nor do they put out press advisories in advance of their arrival. They don't want us to know they are here until they have done mortal damage to our people.

The best plan to secure our border involves intensive operations with federal, state and local officials working together to seal off common illegal crossings. So far we have used all available resources to fund additional patrol hours, new vehicles, and new technology for local law enforcement.

We have caught drug traffickers and human smugglers off guard and reduced crime in remote border regions so often exploited by criminal operatives.

The key element to our success has been the work of local law enforcement officials, such as border sheriffs. Today we are fortunate enough to have some of these heroes in our midst. Please join me in welcoming the members of the Texas Border Sheriff's Coalition.

I support strategic fencing in urban areas along the border. But I also believe, like border sheriffs, that the best solution involves added manpower, not unmanned walls.

That is why I ask you to fund a \$100 million effort that will expand patrols, purchase new technology and protect the border from drug traffickers, human smugglers and other criminal thugs that seek to destroy our way of life.

Immigration reform is a federal issue. That's why I urge Congress to pass reform that respects the rule of law. That means two things: those who come here illegally should not be rewarded with amnesty. And it also means those who hire illegal aliens should face tough penalties.

Ultimately, the best way to crack down on illegal hiring practices is for Congress to finally pass a guest worker program. A guest worker program recognizes the contributions of foreign workers and captures their income in our tax system, ensuring they contribute to the public services we provide them. And a guest worker program will help us know who crosses our border legally rather than not knowing who crosses our border illegally.

Illegal immigration is a problem felt deeply by Texas, while too often ignored by Washington.

So in the spirit of that mythical holiday, Festivus, let me begin the airing of grievances with Washington.

It is time Washington met its obligations in paying for the costs of illegal immigration. Our hospitals, schools and law enforcement agencies deserve more than praise - they deserve the appropriate level of federal reimbursement.

We also believe that the state should not be penalized for savings it has generated by the onerous and unconstitutional Medicare clawback provision.

Nor should Washington commandeer Children's Health Insurance Program funds that are allotted to Texas and needed for our children.

And we are tired of environmental extremists entrenched in the federal bureaucracy undermining our regional water planning process. We support wildlife sanctuaries, but please stop declaring them on land local officials have identified as viable for water reservoirs. Especially when, as in the case of the Fastril Reservoir in East Texas, even better land has been identified for that purpose.

In short our message to Washington is this: let Texans run Texas.

I support legislation that establishes more than 20 reservoir sites in statute because securing viable water supplies is vital to the future of this state.

Let's continue to invest in clean air by increasing our funding for the Texas Emissions Reduction Program by \$180 million. Mobile sources contribute the majority of pollution in Texas. This program cleans up dirty engines and reduces emissions by one ton for every \$5,000 invested.

Cleaning the air while increasing our power supply is a difficult challenge. Conservation alone will not prevent an energy crunch when our population is expected to double in just over 30 years. Power outages are just a few years away if we don't take action. And while the clean technology known as Integrated Gasification Combined Cycle has tremendous promise for the future, it remains unproven - especially for Texas lignite and Wyoming coal.

With current technologies allowing coal to burn at least twice as clean as all of the old natural gas plants we are trying to replace in Texas today, we can meet our power needs while reducing total emissions. In fact, one company's plan reduces their total emissions by 20 percent while increasing their total energy capacity by over 50 percent. At the same time energy producers have announced a new \$10 billion investment in wind energy infrastructure, which will keep our ranking as the top wind power producer in the nation.

We are also taking the lead in building liquefied natural gas terminals and developing biofuels. And I strongly support new investments in nuclear power.

Let me mention a few other priorities.

When it comes to criminal justice, I believe we can take an approach to crime that is both tough and smart. I agree with our Lieutenant Governor that sexual offenders who harm our children must face tougher penalties. At the same time, there are thousands of non-violent offenders in the system whose future we cannot ignore. Let's focus more resources on rehabilitating those offenders so we can ultimately spend less money locking them up again.

We must also put aside regional differences in order to be prepared for a hurricane of historic proportions. Our windstorm insurance system is out of date, and had Rita made landfall in the Houston ship channel, it would have done great damage to the entire Texas economy, as well as the state budget. We must work together to bolster the state's windstorm insurance fund.

I also believe the example we set in Texas can have international ramifications. I join Railroad Commissioner Michael Williams and a bipartisan group of legislators in protesting the ethnic genocide occurring in Darfur by calling on the state of Texas to divest of companies doing business in Sudan.

At home, we must continue to invest in jobs by expanding workforce training through the skills development fund, by continuing to fund job creation through the Enterprise Fund, and by increasing funding for the Emerging Technology Fund, which will help us attract the new growth industries of this new century.

From our investments at UT-Dallas and Sematech, to our funding for the Texas Institute of Genomic Medicine, we are creating a foundation of prosperity that will last long beyond our years.

Moving Texans from the conditions of dependency to the freedom of self-sufficiency requires us to invest in education, healthcare, and the jobs of the future. They are the pillars of prosperity.

Before us is a unique opportunity to address great challenges. We can either dissolve into partisan disputes that leave Texas no better off for the 140 days that we are here, or we can join together in a spirit of bipartisan unity for causes greater than self - greater than political party.

From providing access to insurance for millions of working Texans, to investing in great colleges and universities, to funding a cancer research initiative that can save countless lives, there is much we can do together.

I ask that past disputes be left in the past in order to pursue our future promise, that you choose the high road of unity rather than the easy course of cynicism, and that you join me in leaving the critics on the sidelines to fight the good fight on the front lines.

There will be critics of what we attempt. Some will fight for the status quo, even when change is needed for the greater good. Our task is not easy, but none of us were sent here to do what is easy, but to do what is right.

And how historic this session can be if we fight for the right, if we empower the powerless and lift up the lowly, if we make this Texas a land of tremendous opportunities and attainable prosperity.

The state of our state is good for many. Before us is the challenge to make it good for many more by spreading opportunity far and wide.

Let's fight for the Texas we aspire to, the Texas that can be, the Texas that can lead the world.

Thank you, and God bless you all.

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