

2017 State of the State Address

Utah Governor Gary R. Herbert

January 25, 2017

President Niederhauser, Speaker Hughes, members of the Legislature, justices of the Utah Supreme Court, Utah's First Lady, Lieutenant Governor and Mrs. Cox, other constitutional officers, and my fellow Utahns: It is an honor to address you in this historic State Capitol that serves as a symbol of our collective dreams and aspirations.

Three weeks ago, at our state inauguration, we had the privilege of hearing the Mormon Tabernacle Choir. And I am very pleased to report that in spite of the choir's decision to sing at my inauguration, not one choir member has resigned.

You'll remember that the choir performed "Climb Every Mountain." As they sang, I reflected on all the mountains that we must climb and conquer in our personal lives, as a people, and as a state.

When I first took office, Utah was climbing out of the Great Recession. Recognizing that so many of our challenges required a robust economy, we made economic recovery our primary objective.

Our climb has been arduous, but the height that Utah's economy now occupies is remarkable. (I truly could spend all evening simply listing the national accolades that have come our way — and I know you wish I would.) But let me simply note these meaningful, bottom-line facts: last year, Utah had one of the fastest growing technology sectors in the nation, and Utah businesses added more than 43,000 jobs to our economy.

Thanks to the collective efforts of the lawmakers and officials gathered here tonight, and primarily thanks to the hard work and cooperation of the people of Utah, I can say emphatically that the state of our state is truly exceptional.

But we haven't come this far to only go this far. There are several important summits for us to climb together over the next four years.

But before we talk about those peaks, let me say a few words about two of the very deep and shadowy valleys in our state's current landscape: drug addiction and homelessness.

I firmly believe that those closest to such issues will typically have the most informed answers. And I have been encouraged to see our local elected officials, our local law enforcement agencies, and our local charities working together to alleviate the suffering of those seeking treatment and those needing shelter.

But I also recognize that the state has a role in addressing this problem.

Speaker Hughes, I am particularly grateful for your willingness to address this issue head on. I look forward to your assessment and recommendations about what further state support is needed as you and the legislature engage with — and monitor — local efforts.

And let us, as a state, be absolutely clear that we will no longer tolerate the unconscionable drug trade that victimizes the most vulnerable in our community. Let us all agree tonight that this absolutely must stop!

I wish we had time to talk through every challenge we face, but let's direct our gaze to a few of the more significant summits ahead of us.

Among the most important is that of educational excellence. If we will unite and focus, Utah can be at the top of the nation in student achievement.

And we have already come quite some distance. Since 2009, Utah's high school graduation rate has climbed from 75 to 85 percent, the 4th largest such increase in the nation.

In the most recent National Assessment of Educational Progress — known as the nation's report card — Utah's fourth graders ranked 8th in the nation in Math, 7th in Reading and 5th in Science. And Utah's eighth graders ranked 8th in Math, 6th in Reading AND were ranked 1st in the nation in Science.

Thanks to the dedication and hard work of Utah's teachers, parents and students we can confidently say that Utah is getting a superior return on its investment in education.

I am gratified by our progress, but we still have work to do. Our strong aggregate statistics mask the challenges faced by some of our students. But I remain hopeful because I know of Utah's innovative and can-do spirit. Therefore, I truly believe that Utah can be number one in the nation on meaningful, measurable milestones of student achievement.

I am pleased that business leaders, parents and educators from across the state are very close to uniting on an innovative 10-year plan for kindergarten through post-high school that will take education in Utah from where we are — which is pretty darn good — to where we need to go — which is to be at the very top.

Governance of our public education system is complex. Our state Board of Education has the "general control and supervision" of public education. Our constitution tasks you, the Legislature, with the "establishment and maintenance" of our public education system. And we recognize that the most important work is accomplished by educators, parents and students at the local level in our 41 school districts and in our 119 charter schools, all designed to make students college and career ready.

Structurally, my role as Governor, is the power to convene and the power of this bully pulpit. And I can assure you that I will continue to do all that I can to push for support of our frontline educators, for appropriate accountable funding and for innovative alignment between our classrooms and our diverse and dynamic marketplace.

For example, jobs in Utah's aerospace industry are growing faster than there are trained workers to fill them. To address this, in 2015, I announced a pilot program — called Utah Aerospace Pathways.

Aerospace Pathways provides high school students with early training, internships and a head start in entering the workforce with world-class aerospace companies in Utah such as Boeing, Hexcel, and Orbital ATK.

Colton Winters was one of the first to enroll in Aerospace Pathways. Recently, Colton's father, Luke Winters wrote to me about the great experience his son had in the program. Even better, Hexcel's experience with Colton during his internship was so positive that the company hired him right out of high school.

The Pathways model assures parents that their children will find meaningful employment here in Utah. It gives confidence to Utah businesses that they will have a qualified workforce. And it supports our schools by optimizing engagement between business and education.

Therefore, I am pleased to announce tonight a major collaboration called Talent Ready Utah that will accelerate these mutually reinforcing successes. Led by the Governor's Office of Economic Development and my education advisor Tami Pyfer, and in partnership with the State Board of Education, Talent Ready Utah will expand career opportunities statewide by increasing the number of business and education partnerships.

Over the next four years — for pathway-like programs alone — Talent Ready Utah will recruit hundreds of businesses across Utah to partner with and invest in local education.

And we anticipate that Talent Ready Utah will help fill 40,000 new high-skill, high-paying jobs over the next four years.

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Working together, we have invested \$1.8 billion of new money in education over the past 5 years — and I thank you for your wisdom, foresight and commitment.

As you know, however, because Utah has had the fastest growing student population in the nation, we have significant funding needs just to accommodate the growth. And in order to push our way to the top, we need to invest more money into education.

But at the same time I am very concerned about altering our tax policies in any way that could damage our robust economic engine. In fact, the very best way to ensure ongoing growth of education funding is to continue to grow our economy. Failure to take into account how tax rates affect business investment won't help us make good policy decisions.

Look, I get it. And I know that you get it. No one likes to pay taxes. But everyone agrees that the state requires sufficient revenue to perform the essential public functions that we the people need.

Utah has benefitted from a sound and diversified revenue policy that has helped us to weather economic shocks better than any other state in America. But over the years, Utah's base that produces tax revenue has, in fact, narrowed.

Utah has required payment of a use tax on out-of-state purchases since 1937. Back when out-of-state purchases were few and far between, collection of the use tax was not a big deal. Today, however, we purchase more and more goods out of state because of the convenience of online shopping. And collection of the use tax on those purchases is cumbersome.

Our Legislative Fiscal Analyst, our Office and Management and Budget and the Utah State Tax Commission now estimate that the owed but unpaid use tax is approximately \$150 to \$200 million per year and rising.

In addition, our tax system has become complicated. For example, in 1996 there were 48 sales tax exemptions; today, there are 89. In that same period, income tax credits have more than tripled — from 12 to 38. This narrowing of the base is now creating pressure to raise tax rates.

We all know that Congress needs to resolve the issue of how to effectively collect our owed but unpaid use tax. But if Congress won't do its job, then you, the Legislature, must act to provide our own state solution.

I also urge a thorough legislative review of each and every tax exemption and tax credit to examine whether it has outlived its usefulness. That means making our taxes fairer by eliminating loopholes and broadening the base.

I look forward to working with President Niederhauser, Speaker Hughes, Senator Henderson, Representative Eliason, and others in the legislature and with members of the private sector to improve significantly the fairness and equity of our tax system — while maintaining Utah's number-one business friendly environment.

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I believe that government regulations are designed to level playing fields and to protect the public. An example of effective state regulation can be found with how Utah governs alcohol. The results have been strong, as attested by Utah's low DUI fatalities, our low underage consumption, our low binge drinking rate and our enviable public safety record. But there is room for improvement.

Therefore, I appreciate the good work being done by Rep. Brad Wilson and Sen. Jerry Stevenson to improve our alcohol policy. For the past several months, we have been working closely together to evaluate our existing laws governing alcohol dispensing, licensing, prevention, education, and enforcement.

I know that many in the media have focused narrowly on the issue of dispensing restrictions — but that would be merely one aspect of this updating. This is about public health and public safety. We will ensure that our regulations — coupled with additional state resources — focus on education, prevention, and enforcement practices that are proven to further reduce underage drinking, alcohol abuse and impaired driving.

I believe we can do this without stigmatizing how responsible adults purchase and consume alcoholic drinks in dining establishments, and I believe we can do this without blurring the important distinction between restaurants and bars. To that end, we will work together this legislative session to keep and enhance what works for Utah, and repeal what does not.

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A year ago, I pledged we would not rest until all 29 counties and all 245 cities and towns in our state are full participants in Utah's tremendous economic success.

We are making progress.

Tourism — now an \$8.2 billion industry in Utah — is generating over a billion dollars in state and local taxes, and bringing jobs and more economic diversity to cities and towns in rural Utah. Moreover, visitation at our Mighty Five national parks, our state parks, and other areas of the state hit record levels over the past year. But tourism is only one piece of the puzzle.

Across rural Utah, many businesses are working with the state to innovate and to expand. One example is Houweling's Tomatoes in Juab County, where state-of-the-art technology has helped them grow their business by some 280 full-time jobs.

Still, the fact remains that parts of Utah outside the Wasatch Front are struggling.

Tonight, I would like us to unite behind a goal of creating 25,000 new jobs in the 25 counties off the Wasatch Front over the next four years. Reaching that goal will require unprecedented partnerships to grow and diversify the economy in rural Utah. To that end, I will work with Lieutenant Governor Cox and the Rural Partnership Board, the private sector and you, the legislature, to ensure that all Utahns have the same economic opportunities. Let's work together to create 25,000 new jobs in the rural and outlying parts of Utah.

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Another issue that worries me — and I know concerns you, too — is our air quality. Utah is now the fastest growing state in America, which means more trucks and automobiles contributing to air pollution. As I have said before, there is no silver bullet for our pollution problems.

That is why I created the Utah Clean Air Partnership (UCAIR), a statewide nonprofit that empowers individuals and organizations to take proactive steps to reduce air pollution.

We will continue to fast-track the arrival of cleaner fuels, cleaner cars and to get people to drive less and to conserve more.

Utah will soon collect an estimated \$35 million from the Volkswagen settlement to improve how diesel technologies affect air quality. I have asked our Department of Environmental Quality and our Division of Air Quality to convene stakeholders to analyze and identify how these valuable settlement dollars will give us the largest sustainable reduction of pollution possible. Those discussions should include replacing high-polluting diesel engines, including those in our older diesel-burning school busses.

We are already making a difference. While Utah's population increased by more than 600,000 between 2002 and 2014, total statewide emissions declined by 30 percent. That's a 46 percent reduction in per capita emissions.

We have been able to accomplish this:

- by requiring refineries and other large industries to invest hundreds of millions of dollars in the best available emission control technology;
- by expanding our transit system faster than any state in the country;
- by educating the public about things we all can do, such as carpooling and turning down our thermostats;
- by engaging with industry to encourage the construction of more energy efficient buildings;
- and by making inroads in alternative energy — Utah is now in the top 10 in the nation for electric vehicle adoption and number one for Compressed Natural Gas infrastructure.

Sometimes we fail to recognize our progress. So this year I will tour the state to highlight actions that are making a positive difference for air quality — such as the refineries that are accelerating the arrival of low-sulfur fuels to our market. And along the way, I will also visit those organizations that need a little extra encouragement to help us make measurable improvements to our air quality.

This is a shared responsibility, so let's keep it up and redouble our collective efforts because we shouldn't have to climb to a summit in order to breathe clean air.

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Last week I was in Washington, D.C. Having just returned from the Inauguration, I can attest that if there is one message that is clear from the new administration it is that power will be returned to the people and to the states. I am confident that the new administration and Congress, working with the states, will enact major reforms that will enable us as a state to gain greater control and management over education, transportation, healthcare, natural resources, and our public lands.

There is a renewed appreciation for the Tenth Amendment and a realization that the states are truly the laboratories of democracy, the place where real solutions are developed to improve people's lives. It is at the state level where innovation, tailored to the unique local demographics, is actually taking place. And Utah is at the forefront of that innovation and that effort.

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Yes, there are challenges ahead. But we have a history of working together to accomplish what others say is too hard. Defying the odds to achieve greatness is part of our cultural DNA.

That quality is exemplified by Alpine resident and entrepreneur Greg Paul, the founder of the popular Momentum climbing gyms located in Salt Lake City, Sandy, and Lehi.

In 2003, when the doctor told Greg his knees were shot and advised him to take up croquet, he ignored the counsel and continued to dream the seemingly impossible dream to summit Mount Everest.

In 2008, Greg had his right knee replaced with an artificial knee system made by Draper-based Ortho Development.

His first attempt at Everest in 2012 ended when avalanches forced his team to cancel the climb.

Later that same year, Greg had his left knee replaced.

His second crack at Everest in 2014 fell short when a major avalanche killed more than a dozen people on the mountain.

Finally this last May, on his third attempt, confronted by severe weather, Greg's climbing team paused just short of Everest's summit, wondering whether to turn back once again.

Early on the morning of Friday the Thirteenth, Greg shrugged off all superstition, and seeing the weather improve over the summit, he took courage and he resumed the climb.

Accompanied only by his Sherpa guide, Greg ascended the summit, becoming the first American climber to conquer Everest in three years. And the first person ever to conquer Everest with artificial knees — high-tech replacements from Draper, Utah.

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As a state, we have daunting summits ahead.

We need to get on top of intergenerational poverty, teen suicide, homelessness and addiction.

We need to be at the top of the nation in student achievement and align our training with marketplace demands.

We need to keep our tax system balanced and competitive while making it fairer and more inclusive.

We need to see that our economic opportunities are expanding statewide.

We need to continue to clean up our air.

And we need to reinvigorate principled federalism that will allow us to apply Utah solutions to Utah challenges.

Like Greg Paul, it may take years of planning and preparation to reach our goal.

Like Greg, we may face seemingly insurmountable obstacles on our first and second attempts.

Like Greg, we will likely need Utah innovation and technology to enhance our natural capacity.

But also like Greg, we need to keep our eye focused on our lofty objective, recognize when the momentary window of opportunity opens, and then seize the day and press on to the top.

Personally, I am committed to this trek, no matter how difficult the way.

I am exhilarated by the challenge because I have never been more optimistic about Utah's prospects for success. I invite all of you to join with me in this effort. May God bless us as we, together, climb ever higher.

May God bless America. And may God continue to bless the Great State of Utah!

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