

# 2012 STATE OF THE STATE ADDRESS

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**DENVER — Thursday, Jan. 12, 2012** — Gov. John Hickenlooper today delivered his second State of the State address. Here is the text of the speech as prepared:

When people think of the West, it's easy to envision wagon trains, Buffalo Bill, the glory days of the Gold Rush.

Cowboy hats come to mind ... rocks ... even beer ... but let's talk about hats.

John B. Stetson left Pennsylvania in the early 1860s, suffering from tuberculosis, and came west. He soon found himself panning for gold in the Colorado Rockies.

Fierce storms, without warning, would come up over the mountains and drench the mining camp.

Mr. Stetson saw a problem in need of a solution, and he had a unique skill. His father had taught him hatting as a kid, and he made a felt hat that could protect him from wind and cold. The other miners were envious. One fellow bought the hat right off his head for a \$5 gold coin. A business was born.

By 1906, Mr. Stetson was selling 2 million hats a year.

Cowboys would sleep on their Stetson or bend it to provide better visibility. They would fill the hat up with water – ever heard of the 10 gallon hat? – because it was water proof on the inside. Cowboys still do this ... and even a smattering of our legislators.

The story of the Stetson is about one of Colorado's earliest entrepreneurs. Of course, back then almost everyone coming West was an entrepreneur.

That same spirit is with us today. Indeed, in some way everyone in this room is an entrepreneur.

You came here because you believe you can come up with solutions. You came here – under a gold dome that is getting a makeover of its own – to be inventive and create a better future.

President of the Senate, Brandon Shaffer, Speaker of the House Frank McNulty, Senate Minority Leader Bill Cadman and House Minority Leader Mark Ferrandino – it's not easy to lead a room full of creative and imaginative people, is it? But you do it well, thank you.

Thank you all – every member of the General Assembly – for your service to Colorado. Thank you for your partnership. Thank you for sitting together today. And thank you for the kindness you have shown my family and me this past year.

I'd also like to thank the ever cooler Lt. Gov. Joe Garcia and his wife, Claire; Attorney General John Suthers; State Treasurer Walker Stapleton; Secretary of State Scott Gessler; and the distinguished members of the Colorado Supreme Court and Colorado Board of Education here today.

Speaking of good partners, Denver Mayor Michael Hancock is here as well.

Our thoughts are with Chairman Jim Newton Jr. from the Southern Ute tribe who was in a minor car accident this morning. We are pleased to have Councilwoman Pathimi representing him. We also have Chairman Gary Hayes from the Ute Mountain Ute tribe here. Your ancestors were here long before the Stetson, and we look forward our continued work together.

I owe special thanks to my wife, Helen, for her steadfast support, and to our own little entrepreneur, 9-year-old Teddy, who continues to inspire us both.

A final word of appreciation to the talented people we have been fortunate to lure into public service as Cabinet members and the Governor's Office staff.

Thanks as well to Colorado's state employees. Because of this recession, you have worked for four years without a raise ... yet you continue to try and find opportunities to make our state more efficient.

This legislative session is not expected to be easy.

Cynics say it's an election year and partisan fights will drown out any hope for success.

We believe the cynics are wrong.

The desire to solve problems that drives every entrepreneur is alive and well in this room.

We can work together.

We proved it when you passed a budget last year with 80 votes.

We proved it when we worked together to help secure the state's financial health by creating a 4 percent reserve.

We proved it when you passed a health exchange bill that is now a model for other states.

Coloradans have little patience for partisan gridlock.

Unlike Washington D.C., we have shown the rest of the country that Colorado is a place where things get done.

The U.S. Congress could learn a thing or two from this General Assembly ... and I know a few of you are eager to move to Washington to prove it.

Working together, we have made significant progress stabilizing the state budget.

We didn't postpone hard decisions.

We made difficult cuts.

We put Colorado on a sustainable path going forward.

We face the current budget challenge in a stronger position today than a year ago. We are moving in the right direction, but we are still in rough water.

If you account for inflation, the state's general fund revenue is \$1 billion less than it was five years ago when the state had fewer people and was economically stronger. ... \$1 billion ... and demand for government services has surged.

The number of children enrolled in public schools has increased significantly and more people are enrolled in Medicaid.

These facts are why we want to focus property tax relief on the seniors most in need, until we can restore the full senior homestead exemption.

We are proving that we can do more with less and live within our means like all working families in Colorado ... even as the pressures on the state budget continue.

For example, in the Lobato case, a district court judge has ruled that the state is deficient in meeting school funding requirements under the state Constitution. We will appeal the decision to secure a final resolution of the constitutional issues raised in the case, but the question of finding additional revenue for education is one of our greatest budget pressures.

Colorado voters, nevertheless, rejected a proposed tax increase to fund schools.

That is one reason job growth is so critical.

If there were ever a time when Colorado needed to spur greater support for entrepreneurship to create and attract new business, it is now. One indelible fact is that small business and entrepreneurs thrive in proximity to large corporations. They depend on each other.

Large corporations, just like small business, want to be in places that are pro-business.

They want to be in states where partisanship gives way to partnership.

For too long Colorado has been losing large corporate headquarters to other states. That trend is changing.

A couple of years ago DaVita, a Fortune 500 company, moved its corporate headquarters to Colorado for all of the right reasons.

Last year was unprecedented with two new Fortune 500 companies claiming Colorado as their home base.

Recently, Arrow Electronics announced it is relocating its global headquarters to Colorado from New York.

This is the largest corporate headquarters to move into Colorado in the state's history. It will involve the creation of thousands of jobs. A number of associated businesses will follow Arrow and a number of electronic businesses already here, of which there are many, will gain an advantage by being close to one of the largest electronics suppliers in the world.

The CEO of Arrow, Mike Long, is here today with his wife, Karen. We are very proud they are with us, so please join me in thanking Arrow for their commitment to Colorado.

As good as attracting a Fortune 500 company to Colorado is the organic growth of a local company.

In October, Level 3 Communications completed a merger with Global Crossing, becoming a Fortune 500 company overnight. This time, the consolidation of operations from around the country will bring jobs into Colorado instead of taking them out of Colorado. John Ryan, general counsel from Level 3, and his wife, Beth, are here as well.

On the heels of the Level 3 merger and the good news about Arrow, GE announced it would expand its investment in Primestar Solar by more than \$300 million and build a thin-film solar manufacturing facility in Aurora. This facility, one of the largest of its kind in the world, will create 350 jobs and produce enough panels each year to power 80,000 homes. Jeff Wyatt, the general manager of Primestar Solar, and one of the original founders of the company, Russell Black, are here with us today.

We know that economic development comes in smaller packages, too.

The inaugural USA Pro Cycling Challenge last summer was viewed by a worldwide audience of more than 20 million people and generated more than \$80 million in economic activity in Colorado.

USA Pro Cycling Challenge CEO Shawn Hunter is here today – we can hardly wait for the race to return in August.

We will follow it a month later with “Pedal the Plains” – a bike tour for the rest of us.

We think a bike tour across the Eastern Plains will not only be great for the sport of cycling, it will also give folks an opportunity to see where our food comes from.

It is worth noting that Colorado agriculture is leading the state out of this recession. Agriculture exports have grown more than 20 percent – I’ll say that again, 20 percent ... which really makes us Colorado Proud!

Whether it’s world-class biking, or world-class skiing, or world-class fly fishing, our extraordinary outdoor opportunities are a critical component of our economy.

We are working with Mayor Hancock and an exploratory committee to consider the feasibility of hosting the Olympic Winter Games in 2022. Any pursuit of the Olympics, if that happens, should be done in an entrepreneurial way and with an eye on making Colorado the healthiest state in the nation. Let’s use sport as a way to promote better health.

Speaking of sport, please indulge me as I use 15 words of this speech (that would be in honor of Tim Tebow, folks) – to talk a little football: Good luck to the resilient Denver Broncos, beat those New England Patriots on Saturday night.

We know that the core business of government is not to create private sector jobs – entrepreneurs do that.

But we can help. What we do here and how we do it matters.

A commitment to partnership and collaboration can overcome the dysfunction of partisan gridlock.

We need to make government work better. Part of that means making government efficient, effective and of course elegant.

Last year we began a rigorous review of state rules and asked for examples of unnecessary regulation from Coloradans across the state.

We are scrubbing every state agency to eliminate red tape. Our plan is outlined in the report we issued this week called “Pits and Peeves.”

The Colorado Department of Transportation, for example, found rules that were out of date decades ago. The Department of Human Services recommended the repeal of 850 unnecessary rules.

This streamlining will help nonprofit organizations, as well as businesses, hire the next worker.

In addition to eliminating red tape, we are continuing to consolidate state services and programs where appropriate.

Thanks to your support, the state will see efficiencies from the merger of the Division of State Parks with the Division of Wildlife ... the Supportive Housing and Homeless Program merged into the Department of Local Affairs ... and we’ve assigned one manager to oversee the Divisions of Banking and Securities.

We will continue to work with you to identify other opportunities for consolidation.

We understand that government is not a business. Still, we need to apply best practices from successful companies where they make sense.

That is why we initiated the LEAN program in almost every state agency, where employee teams are now actively identifying waste and inefficiency to create savings.

Another way we can make state government more effective and realize cost savings is to bring the state’s antiquated personnel system into the 21st century.

The state Constitution is riddled with personnel rules and administrative procedures that are obsolete and should be reformed.

We are working with state employees on a package of reforms, but we need your help to go to the ballot this year with a proposal that will improve the way we manage state personnel.

And while we are not immediately seeking legislative changes to the state’s retirement program, we are mindful of the obligation we have to Colorado’s taxpayers and state retirees, to ensure that PERA is both stable and sustainable.

Another attraction to entrepreneurship is a climate of innovation.

We established the Colorado Innovation Network (COIN) to foster collaboration and idea-sharing across private sector, academic and public lines, including the 29 research laboratories in Colorado. This will multiply occurrences like Primestar Solar, where an innovation at the National Renewable Energy Lab translated into more than 400 jobs in Colorado.

COIN gives us a unique opportunity to incubate entrepreneurship and facilitate the transfer of new ideas to the marketplace. Ajay Menon, our Chief Innovation Officer and driving force behind COIN, is here today. Thank you for your work.

While COIN is privately funded, we are asking for a modest public investment to continue the success we had with Arrow and GE.

We are requesting \$6 million to support the work of the Colorado Economic Development Commission ... and \$3 million for a revolving loan fund to provide low-risk gap financing so Colorado can compete with other states for film, video gaming and electronic media productions.

These investments will repay the state many, many times over.

Making Colorado the best place for entrepreneurship also means we must have good schools, a reliable transportation system and health care that is both affordable and accessible.

Even in difficult times, we need to right by our kids.

We seek your support in consolidating early childhood services under one roof to more efficiently and effectively aid children and parents. Currently, there are 23 separate funding streams

administered through five different state agencies, each playing a role in early childhood support and services.

Together, we are proposing a state-local strategy that integrates prevention and intervention, quality early learning and family support and engagement. Our plan will consolidate early childhood services in a new office in the Department of Human Services.

The lieutenant governor is leading an effort to promote early childhood literacy, and in February his office will release a report detailing findings from his recent state-wide literacy tour.

Abundant research demonstrates that if a child fails to learn how to read by the third grade, that child is more likely to drop out of high school and faces an enormous uphill battle for the rest of his or her life.

We must develop intervention strategies with parents and teachers to identify failing students long before they reach the third grade and keep them from an illiterate future.

We are working on bipartisan legislation to make Colorado a national model for early literacy and ask for your support to get this bill passed.

Thanks to your work in passing SB 191 two years ago, Colorado is a nationally-recognized model for teacher effectiveness.

The Colorado Board of Education unanimously approved rules implementing SB 191, and we need your support to pass legislation approving these rules and authorizing \$7.7 million to continue the implementation of these critical reforms.

Being a great teacher is hard work. ... We thank you.

As many of you know, we have been thoughtfully exploring the potential benefit to businesses, injured workers and the state of Colorado from the separation of Pinnacle Assurance from the state. Done properly, and with the support of policy holders, a restructuring of Pinnacle could provide Colorado with a security interest that has the potential of funding economic development and higher education scholarships.

We asked a diverse task force of civic leaders and stakeholders with expertise in workers compensation to review this proposal. We look forward to sharing our recommendation with you before we move forward with a specific legislative request.

The link between higher education and economic development is very clear. They go hand in glove. So if we agree on a new future for Pinnacol, we hope you will also agree that funding for scholarships makes sense.

Fostering education, unleashing entrepreneurship, building a strong business climate and putting more Coloradans to work is at the core of our mission. But completing this mission would be hollow indeed if the cost of doing so ruined the very place we love.

So we mean to encourage the development of state resources to create jobs, but at the same time hold businesses accountable to the highest ethical and environmental standards.

Colorado's energy sector holds tremendous promise.

We continue to build on the state's reputation as a leader in promoting solar, wind and renewable energies and developing cleaner fossil fuels.

Colorado is blessed with abundant reserves of natural gas. With new discoveries in the Niobrara formation and technologies for extracting shale oil, we are poised to be a leader in unconventional energy technology as well.

The country is noticing what is happening in Colorado.

Earlier this year, we partnered with Oklahoma to draft a multi-state RFP to create a broad-based market for compressed natural gas vehicles we can use to replace existing state fleets. When we launched this effort we had no idea how many other states would join us. We are now up to eight and counting. Because the vehicles are cheaper to operate, many local municipalities are interested in joining us, too.

Now with the attention of automobile manufacturers, we are well on our way to putting cleaner-burning vehicles on Colorado roadways.

This effort was made possible only because we have a Governor's Energy Office (GEO) with the staff and expertise in this area.

Colorado is a state with resources and a national reputation for developing clean energy.

We also start the year with the country's strongest and fairest rule disclosing the ingredients in the "fracking" process.

The old geologist in me is champing at the bit to go into detail about this process, but I won't. Of course, the brewer in me would like to talk about it over a beer.

Suffice it to say that this is a drilling procedure that has opened the door to a whole new era of energy development that can lead to more jobs, cleaner air and energy security for our country and the world. The ideas and innovations that created this revolution all occurred in Colorado.

When the Environmental Defense Fund and Halliburton stood together in Colorado in support of the state's new "fracking" disclosure rule, other states took notice.

It's another reason why we believe so passionately in the power of partnership and collaboration.

In that same spirit, we intend to work with counties and municipalities to make sure we have appropriate regulation on oil and gas development, but recognize the state can't have 64 or even more different sets of rules.

Likewise, costly litigation and endless court battles have characterized the state's water policy over many years – the Interbasin Water Roundtable Process represents a better way forward. The process created a historic agreement announced last year between Denver and the Western Slope.

We are forging similar collaborative agreements to ensure all Coloradans will have access to good health care.

As a result of the bipartisan legislation passed last year, we are well on our way to establishing a Colorado Health Benefits Exchange. We are doing it Colorado's way and it will be ready at the end of 2013 to support small businesses and provide health insurance for 300,000 Coloradans who presently do not have it.

While making progress on the Colorado Health Benefits Exchange represents good news, the challenge is the economic downturn has meant a greater number of Coloradans are enrolling in Medicaid – and the costs of Medicaid are not sustainable for the state budget.

We are absolutely committed to bending the Medicaid cost curve and pursuing strategies that will cut Medicaid costs. We are tackling fraud, over-payments and eligibility.

We want to move away from the expensive fee-for-service system to one that drives toward value and rewards healthier outcomes. We have already started to make progress by focusing on preventive care, reducing obesity rates and improving the technology that links people to services.

These efforts will all result in important cost savings.

We are very proud of the work we have been doing with local governments to bring the Colorado Benefits Management System (CBMS) into the 21st century. This has been no small task. We need your support to fund the rebuilding of the system to ensure that eligible Coloradans can access benefits in a timely manner.

We are also proud of our work with communities along the I-70 corridor. We are moving forward to implement the most critical congestion relief projects: widening of the eastbound Twin Tunnel in Idaho Springs, and the continuation of a new eastbound third lane to Floyd Hill.

The Transportation Commission set aside \$60 million to build the project by the end of 2013. It will be the first project to provide additional capacity since I-70 was built in the 1960s. Finally.

As we strive to make Colorado healthier, we believe in equal rights for all regardless of race, creed, gender or sexual orientation.

We don't believe we should legislate what happens inside a church or place of worship, but government should treat all people equally.



It's time to pass civil unions.

We owe a special debt of gratitude to those Americans who wear – or have worn – the nation's uniform.

We are joined today by Maj. Isaac Martinez, a member of the Colorado National Guard who recently returned from Afghanistan, his second deployment overseas.

His company was part of 16 major initiatives and traversed more than 1.1 million miles of enemy terrain without any serious incidents.

Maj. Martinez is a native of La Junta and has degrees from UNC and CSU. We want Maj. Martinez and his wife, Michelle, to know that he is returning to a state that honors our men and women in uniform, supports their families and offers practical and useful assistance as they re-enter civilian life.

We ask every community and every employer to embrace our returning service members!

We will pursue legislation this year that will make it easier for military spouses to use their licenses and credentials and work in Colorado if they are already licensed in another state.

We also aim to reward veterans for their service by upgrading the state personnel system, and expanding their ability to use preference points when seeking employment.

When veterans – and when all Coloradans – have work they are more likely to have homes. We must continue efforts to end homelessness in Colorado.

Michael George, who joins us today, is also a veteran who found himself out of a job and homeless. He worked with Mile High United Way and moved off the streets; he's now a peer manager for a transitional housing program ... and I understand he is a heckuva softball player – not to mention today is his 50th birthday.

Ensuring that all Coloradans have a place to call home is not only the right thing to do, it also impacts the health of our communities.

Together, we must create an economic environment where choosing between rent or groceries or medicine is unacceptable.

Our vision for Colorado includes successfully branding the state as a place that embraces entrepreneurship, supports a strong business climate, creates jobs, educates its kids,

supports working families and protects an unparalleled quality of life.

The truth is our prosperity as a people depends on a great deal more than economic metrics.

Colorado kids must be educated, not just so they can find a job, but because the gift of education will last a lifetime.

We must preserve Colorado's great landscapes, protect the state's water and keep the air clean. Not just because this will attract businesses, but also because it is part of our moral obligation to future generations.

We obviously want entrepreneurship to flourish here because it creates opportunity.

We envision a Colorado where everyone has the opportunity to pursue their passions, secure personal prosperity and contribute to their community.

Ladies and Gentleman of the General Assembly, we have important work to do together in this building ... and we must also do an even better job of listening to and engaging the people of Colorado.

As Abraham Lincoln said, "With public sentiment, nothing can fail; without it nothing can succeed."

In the coming weeks you will hear details about a privately funded and non-partisan process of civic engagement called "TBD Colorado."

Really, we tried to come up with a catchy name but TBD truly captures the intended outcome – it's to be determined.

Like the Colorado Blueprint, TBD Colorado will focus on listening and not imposing top-down, government-driven solutions. Coloradans will be invited to share their vision and priorities for our state. In the sense that entrepreneurs try to find solutions to the needs and challenges of society, TBD Colorado will seek to tap that same spirit that exists, in part, in all of us in Colorado.

We look forward to working with you because everyone here – in fact, everyone in Colorado – is in some way an entrepreneur.

The soldier from Montrose who leaves active duty and learns new skills to re-enter the workforce is an entrepreneur.

The single mother from Fort Collins who creates a babysitting co-op to help with childcare is an entrepreneur.

The farmer in Holyoke who works 18-hour days and still finds time to teach FFA and 4-H kids is an entrepreneur.

The steel worker in Pueblo who coaches youth soccer and figures out ways to fund trips to weekend tournaments is an entrepreneur.

We all have the capacity for creativity and personal reinvention. We all have the capacity to contribute to our communities ... and to make Colorado the best state in the nation.

Simply, we all have the capacity to make a good hat.

A few month ago, I was invited by Western Union to speak to 120 company executives from all over the world. After the event, a small group gathered and a young man from Indonesia spoke up.

He said the world is waiting for America to lead again. The world looks to us.

These past couple of years there have been few places in America where people have been able to resolve their conflicts with successful compromise. Imagine if Colorado, could somehow, through hard work and entrepreneurial will, be such a place.

Other states might copy us, and then still more states might copy them. Eventually, perhaps, even our Congress in Washington might be compelled to rediscover the glory of working together.

I believe that Colorado, by striving to be the healthiest state, the most entrepreneurial state, the greatest state, might better help this country, and, perhaps in some admittedly small way, help move the world forward.

As the young Indonesian man said, the world awaits.

God bless you, and God bless Colorado.