



Governor Pence's 2014 Legislative Agenda

December 5, 2013

I'm delighted to be with all of you to have the opportunity to share some of our ideas and our vision for the way forward in the state of Indiana and for the upcoming session of the Indiana General Assembly.

I want to express my appreciation to Bingham Greenebaum Doll LLP and to the co-chairman of this event, my friend of many decades, Toby McClamroch, for bringing together this extraordinary gathering of Hoosiers and experts.

I wish also to commend Inside INdiana Business' Gerry Dick and IN Group's Ed Feigenbaum, who I think first conceived of this gathering in early December and who have turned it into an Indiana annual tradition. To the Indiana Youth Institute and the rest... I am really grateful to have the opportunity to be with you today. Let's give a round of applause to all of those, BGD and others, who brought this great event together.

I'm grateful to be with you today and, for many of you, to be a part of your Continuing Legal Education requirements before December 31.

Today, I want to share with you what we will call Roadmap 2014. It is a vision that includes specific policies that are designed to build on the very real momentum I believe our state has thanks to principled, commonsense leadership in the state of Indiana.

First, as we look ahead, let's reflect on where we've been going.

When I applied for this job, we articulated a set of six consensus goals, and I can tell you that every day, since I was sworn in to be your governor, we've been working tirelessly to advance those goals. They are, simply put:

- Increasing private sector employment;
- Increasing new investment in our traditional areas of strength;
- Improving math and reading scores of elementary students;
- Increasing graduation rates;
- Improving the quality of our workforce; and
- Improving the health, safety and well-being of Hoosiers, Hoosier families, especially our children.

To advance those goals we've been working together with members of the Indiana General Assembly, in many cases with both political parties, and we moved forward an agenda, of which I'm very proud, in the 2013 session.

We gave Hoosiers the largest state tax cut in Indiana history. We provided more money for schools and for roads. We funded excellence and results in education with rewards for great schools and great teachers. In the midst of all of that, we practiced strong fiscal discipline that's put our state in the position to find even greater success.

In addition, our administration has made efforts to cut red tape. As I stand before you today, we've reduced new state regulations by 52 percent. I'm also pleased that this year we are one of the very few states in the country to be granted a waiver by the administration in Washington, D.C., to continue to provide innovative solutions in health care with the renewal of the Healthy Indiana Plan.

We were able to assist veterans in the state of Indiana by establishing a state procurement goal of three percent. And we ensured that every county will have an accredited Veterans Service Officer, people who are prepared to drastically reduce the time it takes for our veterans to get the benefits that they deserve.

As a result of the efforts that we've taken—those of the Indiana General Assembly and hard-working State employees at every level and all those leaders in business and industry around Indiana who have been driving our state forward—the results have been impressive.

As I stand before you today, we're a national leader in manufacturing and in private sector growth.

Since January of this year, we've added 21,700 private sector jobs to the Indiana economy. Today, Indiana has the fifth fastest rate of private sector growth in the country. Unemployment, while still too high, was 8.6 percent at the start of this year and has now dropped to a five-year low of 7.5 percent.

And, most encouraging to this dad, Indiana recently emerged as a national leader in test score gains by fourth and eighth graders, showing the second-best improvements in America in math and reading scores for our kids. That's a testament to our parents, a testament to our teachers, and a testament to our kids. You can give them a round of applause.

That strong and growing reputation for commitment to growth and educational attainment is paying dividends. Site Selection magazine ranked Indiana the best place in the Midwest to locate a business, and the second-best state in America. CEO Magazine put us in their top ten, the fifth-best place in America to locate a business, and the best in the Midwest.

I would submit to you all that these gains have occurred because of sound policy reforms, but also, first and foremost, because of sound fiscal management. I like to say every chance I get that fiscal integrity is the foundation of our prosperity here in the Hoosier state. I want to pledge to each of you that we're going to continue our commitment to fiscal prudence and look for even more ways to improve the way we manage taxpayer dollars.

After passing an honestly balanced budget last session, we made the decision at the beginning of the fiscal year to hold back some three percent of state spending in reserves on all agencies. We paused some new programs, incentivized high-performing agencies with additional funding, and

continued to reduce debt. I'm pleased to have been able to announce today that we received word from New York City that Indiana has officially maintained our AAA credit rating from all three bond agencies: Standard & Poor's, Moody's, and Fitch Ratings.

I tell my fellow Hoosiers here and across the state, that in these uncertain times we will continue to monitor this economy, we will monitor State revenues, and our administration will continue to use our authority to maintain the state's strong fiscal foundation. In every decision that we make, whether it be about infrastructure or about health care decisions, everything begins with protecting the fiscal integrity of the state of Indiana.

I'm here to say we're on the right track. But, with 250,000 Hoosiers out of work, with 200,000 kids who find themselves in under-performing schools, we must remain determined to keep the momentum going.

In fact, I think we should accelerate our pace.

The series of proposals that I'm going to describe to you today will be the subject of legislation in 2014. We've been working with members of the General Assembly to offer bills in each of these regards. And as I said, in the weeks ahead, we'll be articulating and describing the nuts and bolts of the proposals that we'll be bringing forward. Allow me to move through them just as quickly as I can so that you all can get back to the balance of your program for the day.

First and foremost, I believe that the way we tax and how we tax is a centerpiece of our ability to compete and attract investment and good-paying jobs in Indiana. We made strong gains in this last session of the Indiana General Assembly, as we have in recent years, toward making Indiana a pro-business state with a pro-business tax code.

At the end of the day, there's more work to be done.

I believe the time has come to phase out the business personal property tax in the state of Indiana to spur new investment and growth. According to the Tax Foundation, Indiana has the nineteenth highest personal property taxes per capita. As most people know, the business personal property tax is a direct tax on capital investment which discourages businesses from expanding their operations in Indiana. Currently, twelve states lack a business personal property tax, and at least twenty others have substantial exceptions and exemptions. Ohio and Illinois have no personal property tax, Michigan will phase it out completely in 2024, and Kentucky has a significantly lower rate than the state of Indiana.

By phasing out the business personal property tax in the state of Indiana, we will ensure that Indiana remains at the very forefront of the competition to attract new investment and jobs—new investment by businesses that are here and new investment by businesses for which we compete. As we move into this debate, it is essential that we ensure this reform does not unduly harm our local government's abilities to meet their obligations. As Governor, that is my pledge.

Secondly, we will foster entrepreneurship in the state of Indiana by making it easier for new businesses to raise capital, by reforming our current restrictions on selling equity, and by making it easier for venture and seed capital to flow to Indiana.

The time has come to promote entrepreneurship through securities exemptions, what's called crowd-funding, and to make the venture capital tax credit transferrable.

Start-up companies play a crucial role in the creation of new jobs and sources of revenues. Crowd-funding and raising money through small contributions from a large, diverse number of investors allows businesses in Indiana to have access to capital needed to initiate new ventures. By recognizing and promoting crowd-funding, Indiana will provide businesses access to innovative financing opportunities and facilitate new investment in the Hoosier state.

Other reforms that we will seek to codify and advance include increasing the speed of business with the one-stop shop operated through the Secretary of State's office. A proposal announced jointly by Secretary of State Connie Lawson and our administration, we plan to move legislation to make it a reality.

And, in Indiana, roads mean jobs.

In this session of the General Assembly, our administration will be working with legislators to seek an additional \$400 million for the next era of highway expansion so that Indiana lives up to our reputation as the Crossroads of America.

We will support another key industry in Indiana. In conjunction with members of the General Assembly, our administration will pursue a permanent fix to the soil productivity factor by divorcing ourselves from the federal requirements that have threatened to dramatically raise taxes on Indiana farmers.

Those are some of our initial ideas. But I also think it's time to think outside the box and bring some fresh and bold thinking to Indiana's growth potential and to our strategies. That's why I'm also proposing we take a look at what's necessary to make Indiana's regional cities more competitive.

Sometimes I like to call it the billion-dollar-city program. In today's changing global economy, the reality is that cities are increasingly becoming central to the state's economic development, with the human capital, technology and capital required to drive innovation and growth concentrating in large, metropolitan areas.

Indiana's fiscal and economic environment is sound, but its cities, in many cases, struggle to compete for the talent and investment that peer cities in other states are able to attract. I believe we need to initiate a process to develop strategies to increase private and public investment in our largest regional cities to help them drive Indiana's economy going forward. There will also be a piece of this that is for our smaller communities and rural areas as well.

We will seek legislation to task the Indiana Economic Development Corporation to partner with an entity like the Central Indiana Corporate Partnership to conduct an in-depth assessment of the state's most populous and productive regional metropolitan areas. They will be analyzing the

economic potential of Indiana's regional cities and will detail evidence-based drivers of metropolitan, economic growth—everything from school diversity and quality, industrial site improvement, arenas and sports complexes, walkable environments, Class A apartments, and the like. Through the course of this process, the goal would be to develop options for financing improvements through a blend of public and private investment. Over the next ten years, we would have a number of cities across the state of Indiana that could say, "With public and private dollars, we invested a billion dollars in making our town a great place to live."

That's a vision for a growing future in Indiana.

As we pursue all of these strategies, we're mindful that personal income has been a key struggling metric in the state of Indiana. Research shows that attracting more business and more people into our communities to invest in the state will positively affect us. It will improve, not only our overall economy, but also personal income in the state of Indiana. We need, in a very real sense, a new season of talent growth and talent attraction. And, during this session of the General Assembly, our administration will be investing in and pursuing both.

On the talent growth side, we will continue to build on our focus on workforce development and adult education. We will invest and seek to invest in a substantial proportion of current workforce training resources in new performance-based programs aimed at under-skilled and under-employed adult workers.

As the economy changes and modernizes the skills and abilities of workers, talent attraction is vitally important. As we continue to invest in our homegrown talent in Indiana, we need to make sure to attract new talent into the Hoosier state as well.

The most competitive places in the country are where people want to move. So, I propose that private and public sector leaders work together to create a talent initiative to attract to Indiana entrepreneurs who want to launch new ideas. I look forward to working with legislators to develop that initiative further moving forward, especially as it pertains to Hoosier expatriates. I consider myself to be the Salesman in Chief, and I look forward to picking up the phone, calling some Hoosiers, and asking them whether or not they think it's time to come home.

And of course the most important aspect for achieving Indiana's long-term success is all about our schools. It's about our kids. We must continue our commitment to educational excellence, accountability, and results. The truth of the matter is, if we can't succeed in the classroom, we won't succeed in the marketplace.

I've said many times that as a husband of a public and private school teacher for the last 28 years, I'm absolutely convinced that Indiana has some of the best teachers in the world. There's nothing that ails our schools that can't be fixed by giving parents more choices and giving teachers more freedom to teach.

This year during the last session of the General Assembly, we worked to do just that. We worked to give parents and students more choices and provide more resources for our high performing

schools, especially when it came to career and vocational education in our schools. In the upcoming session, we will continue to build on that.

As we gather here today, eleven different regional Works Councils are busy with the task of asking one simple question: What should the career and vocational educational curriculum look like in the schools in this community to create effective career pathways for young people that would like to graduate from high school and get a job in this community right away?

We brought together educators and business leaders to answer that question, but we also need to begin to think about how we are going to resource it when we get the answer to that question. In the past year, in conjunction with the Indiana Works Council and our Regional Works councils, we are working to identify the resources that we will need to do an in-depth assessment, a return on investment study, where our career and technological education programs are today, and what resources might be necessary to answer the needs that we identify through the process that we are moving through today.

By next year, I believe that we will have the recommendations for a curriculum. We'll have forged all new partnerships with businesses on a regional basis. In working with members of the General Assembly, we'll begin the process of thinking about where the resources, public and private, will come to meet the obligations. I've made a commitment, and I'll tell you about the enthusiasm with which this has been met is as broad as any issue I have ever seen in Indiana.

I've met people at every end of the political spectrum, every end of the income spectrum, who have stopped me on the street and said "I appreciate your commitment to make career and vocational education a priority in every high school again."

I'm convinced that it is right for our kids, it is right for our economy, and Indiana will lead the nation in making sure our schools work for all of our kids in this regard.

I also want to give our parents and kids more choices on where they want to go to school, so our administration will be building upon the success that we've seen in charter schools in recent years by offering proposals in the General Assembly that would make it easier for charter networks to operate in the Hoosier state. We also will propose a way of repurposing unused school buildings for promising new schools that may want to serve the area near those structures.

And, lastly, and perhaps closest to my heart ... I've been spending some time traveling around the state, sitting on the floor at pre-K and early development facilities—some private, some here in Indianapolis, some in northern Indiana and in Evansville.

Sitting on the floor of these extraordinary early childhood development facilities has convinced me. I believe the time has come for Indiana to provide access to pre-K education for all of the disadvantaged children in our state.

I think it's time for us to give our most disadvantaged kids their chance at success. First, it's important to note that Indiana is only one of a handful of states that funds all-day kindergarten. I commend members of the Indiana General Assembly of both parties who have made that promise a

reality in our state. But at this point in time, Indiana does not currently use state funds to provide education to students before kindergarten. As a result of a lack of quality early education opportunities, children, especially those from low-income households, often are unprepared when they enter kindergarten.

To address this issue, our administration will propose to the General Assembly a pre-kindergarten voucher program for Indiana's neediest families. Participation in the program would be voluntary, of course, and the voucher would be for families up to 185 percent of the federal poverty level. It would be usable for either the school year or the summer preceding kindergarten and for either a public or private provider.

At the end of the day, the best pre-K is always going to be a prosperous family that's able to provide the kind of enrichment in their home that every child needs and deserves.

The reality is, for many of our most vulnerable kids, that home environment doesn't exist. So, I'll be calling on members of the Indiana General Assembly to work with our administration to expand educational opportunities to some of our most vulnerable kids.

Lastly, on the subject of education, I mentioned my schoolteacher wife before and I generally like to mention her twice. She taught me one other thing about schools, and that is something I didn't really need to learn from her because I'd already learned it from teachers in my life: a good teacher in the classroom makes all the difference.

I know everybody in this room, if I asked you to just take ten seconds, could come up with at least three teachers who changed your life. When I look at the obvious prosperity of the people gathered here, I know that's true. And certainly true of me: Mrs. Fisher, Sister Rachel, Dr. Curtis in college. People who came into my life who saw more in me than I saw in myself; who believed in me, but held me accountable.

Teachers make the difference. As I've said before, there's nothing that ails education in Indiana that can't be fixed if we give parents more choices and teachers more freedom to teach.

So our administration, in keeping with that, proposed in this session of the General Assembly a teacher innovation fund. It would be a fund that grants teachers who implement new ideas in the classroom the resources to develop and expand on those ideas and make them a contagion both in their school, their school district, and around the state.

Secondly, I think it's important that teachers have more choices. There's been a lot of talk in recent years about parental choice, student choice. Well, I think it's time to give teachers some choices so they are able to choose where they want to teach without worrying about losing the pay that they've earned over the years of their service. We're going to be proposing a choices-for-teachers initiative that will provide financial support to teachers who choose to work in a low-performing school or a public charter school that serves a majority of disadvantaged kids.

That choices-for-teachers initiative will allow them, for a period of time, to have their salary level protected even if they choose to go to an under-performing school. This will be open to all teachers,

and it's an effort on our part simply to say that if you find yourself in a school district, but you might have a heart to go somewhere else, we want to make it a little more possible in Indiana for you to make that choice.

So beyond jobs, investments and educational achievement, the final goal in our Roadmap for Indiana has to do with improving the health and well-being of Hoosiers, Hoosier families, especially our kids.

Now, I realize when it comes to the family, the General Assembly will be dealing with a divisive issue in this session in the marriage amendment. Let me say, I know there are good people on both sides of this issue, all making a case that they believe to be important for the future of our state.

My position on this has been clear all along. I believe in traditional marriage. But I also believe that our conversation about the family must go beyond debates over the definition of marriage. However the General Assembly resolves this issue, I believe in this session we must rededicate ourselves to strengthening the foundations under the Indiana family.

And so we need to advance policies to do just that. We must continue to pursue health care solutions that give Hoosier families the broadest range of choices in insurance and in doctors. We must continue our efforts to foster new cooperation between agencies to reduce infant mortality. We must support our military families by expanding access to the Military Relief Fund. We must continue efforts to improve our prison system to advance incarceration alternatives that will break the cycle of recidivism that tears at families and tears at neighborhoods. And, in the interest of families today and tomorrow here in the state of Indiana, we should introduce a new conversation about conservation and take a fresh look at recycling in the Hoosier state.

We need to make it possible for families to prosper economically. The time has come for us to put a priority on raising children in the Hoosier state in our tax code again. We will propose to this session of the General Assembly that we index the personal income exemption and dependent child exemption to inflation to provide tax relief to Hoosiers and their families and avoid future hidden tax increases.

Maintaining a flat rate deduction, in effect, has resulted in raising taxes slowly over time in the form of a hidden tax.

Here are the facts. The deductions I've described have not increased: One thousand dollar exemption for individuals and \$1500 for dependent children. The deductions have not increased since 1963 for individuals. They have not increased since 1978 for their dependents, even though the cost of living has increased 7.6 times that of 1963 and 3.6 times that of 1978. I believe that by indexing the personal income exemption and dependent child exemption to inflation, or even going beyond that, and by expanding the tax relief that's encompassed, we will do much to strengthen the foundation under Indiana families.

To illustrate, if Indiana's personal exemption kept up with inflation since 1963, it would be worth about \$7,600 today. If the dependent child exemption had been indexed to inflation since 1978, it would be worth about \$3,600. In other words, Indiana's personal exemption is worth \$6,600 less

than it originally was. I think the time has come to strengthen the economic foundation of the Indiana family by responding accordingly.

Finally, I truly believe that we can put a priority on families by shining the spotlight on adoptions in Indiana.

Mrs. Pence and I shared at the state's first Adoption Fair just a few short weeks ago that we struggled to get our family started back in the day. John was kind enough to mention our three kids, are all in college now so you can tell they came "boom, boom, boom." But there was a lot of heartache before that. For the better part of six years we were struggling with infertility, and we went through the process of going through for getting considered for adoption. We made the affirmative decision for adoption. But for the fact that the other family that was on the birth mother's list was clinically infertile at the time that Karen was pregnant with our first child, we would have happily adopted.

I want Indiana to be a pro-adoption state. So in this session of the General Assembly we're going to propose that we move into the discussion about adoption reform in the state of Indiana to expand and improve adoption in our state. While Indiana is generally regarded as an adoption-friendly state, I believe we can improve the ways we place children from state care into adoptive homes and provide assistance to adoptive parents. We'll pursue legislation to form a study committee to examine the effects of faith-based and community adoption programs in other states that have privatized essential components of public adoption programs and provided real valued service in adoption in their states. We'll also look at the legal and regulatory costs associated with private adoption, and we'll pursue legislation that will align an Indiana adoption credit to the federal credit. I believe this is a way of supporting every parent who's willing to lovingly adopt a child into their home, and it's truly a pro-family agenda.

I hope this has given you all something to think about and something to talk about. I look forward to beginning a conversation today that will be productive for the state.

Because it needs to be.

These are challenging times in the life of our economy and in the life of our nation. All across America, businesses are struggling to make ends meet with the weight of higher taxes and higher mandates and unpredictable and unproductively administered programs at the federal level. Families are hurting with what can best be described as a sluggish recovery across this great nation.

The truth of the matter is, while we haven't had a government as good as our people at the national level for quite a while, it's been different here in Indiana. We've had government as good as our people in the state of Indiana for much of the last 10 years, and it's been because we've elected leaders at every level who have been willing to put into practice the common sense of Hoosiers to live within our means, to promote economic freedom, to put a premium of value on our schools and on our families. And for this reason, Indiana's been different.

Indiana is strong and growing stronger every day. But as I said today, we still have work to do. My prayer is that we'll be able to work together to have the wisdom to keep our state moving

forward—to overcome our differences, to work together, until good jobs and great schools and safe streets and strong families become the hallmark of every community in every county of this state.

If I've learned one thing during my travels all across this state, being with people in Indiana in good times and in bad—from celebrating a ribbon cutting as I did this week at Adkev in Monticello or the educational accomplishments of our children to walking in the streets of Kokomo and seeing families in the streets devastated by loss, but surrounded by neighbors—I am convinced we will rise to this challenge because the people of Indiana are the best people on earth, and they deserve nothing less.

Thank you all very much. It's an honor to be with you today, and it's the highest honor of my life to serve as Governor of the state of Indiana. God bless you all.