

STATE OF THE STATE 2010
JANUARY 12, 2010
PIERRE, SOUTH DAKOTA
GOVERNOR M. MICHAEL ROUNDS

Thank you all, very, very much for the kind welcome. Lieutenant Governor Dugaard, Mr. Speaker, members of the State Senate and State House of Representatives, Mr. Chief Justice Gilbertson, Justices of the Supreme Court, other constitutional officers, and the people of South Dakota.... welcome to the 2010 legislative session.

I am, and I'm sure all the other elected leaders here, are very grateful and humbled by the trust and confidence that the people of South Dakota are putting in us to serve them. So, to the people of South Dakota, thank you for allowing us the privilege of serving you.

Seven years ago, I stepped up to this podium and I told you what I believed the people of South Dakota wanted us to do for them. I said they wanted us to be mindful of the basic responsibilities of government: Helping care for those who can't take care of themselves; protecting them from those who do harm; and educating our students, because they are our future.

I said they wanted us to increase tourism; turn more of our agricultural commodities into finished products; and boost wind power, ethanol production, and other alternative energy sources.

I said they wanted us to improve health care access, increase economic development efforts, and help create more jobs.

I also said they wanted us to make state government more effective, provide more property tax relief, and always, always protect their rights and their freedoms.

And, they told us that the biggest challenge we face is to keep our young people here within our borders in South Dakota.

Anybody who has ever been on the campaign trail, or had a cup of coffee at the local café, or just plain leaned against a pickup truck to talk with friends knows that those are not just Republican goals nor Democrat goals. They are the common goals on which almost every South Dakotan of every generation would agree.

Those are the reasons that we find ourselves here in January in this very beautiful building.

The people have elected us to get those things done, and I am proud to say that all of us—Democrats and Republicans—East River and West River—city, town, and rural—are getting those things done.

So, no matter what the Congress or the national economy dumps on us in this next year, I am still optimistic. We will recover, we will have more jobs, and we will continue to improve our quality of life here within our state.

Now, we are enduring tough times. Our most recent unemployment levels in South Dakota are at 5 percent. At the national level, the unemployment level is 10 percent.

We have always been lower within our state. From 2004 to 2008, South Dakota was consistently lower by 1.5 to 1.8 percent. Last year, South Dakota was lower by 2.5 percent.

So, with the national rate at 10 percent, you would think South Dakota's unemployment rate, based on this historical spread, should be somewhere between 7.5 and 8.5 percent unemployment. But, we're not. We are at 5 percent, one-half of the national rate.

I believe the reason why things are not worse in South Dakota is due to the hard work of many of our business owners and managers throughout the state. Instead of laying off more people, they have worked hard to keep people employed.

Some people may say that they have kept their employees because they want to make sure they can take full advantage of business opportunities as this recession ends. And, I suspect that is probably true. But, there's another reason, as well, because in South Dakota, business owners and managers, well, they see their employees a little bit differently, because they are not just employees to them. They are their friends, they are their neighbors, and they are the people who have made their businesses successful in previous years.

They want to help their employees make it through these tough times, and so they have done everything they can to minimize layoffs. We need to say thank you to our thousands of business owners and managers for their concern and their dedication to their employees.

But, of course, we also have a lower unemployment rate, because South Dakotans have a fantastic work ethic. Our fellow citizens want to work. We see value and dignity in every kind of work.

Because our people are hurting, state government is also doing what it can to help people during these tough times.

First of all, we are helping with the basics of life, such as medical care and food. From December 2008 to December 2009, the number of people being helped by Medicaid has increased 7 percent, from 103,626 to 110,734. The number of people using food stamps has increased 36 percent, from 67,299 to 91,915. For other necessities, as of last week, we are providing 7,992 people with unemployment insurance payments.

Of course, the best solution to unemployment is a job. Since April, the Department of Labor has provided one-on-one intensive case management for 4,597 newly unemployed people, and 39 percent of them are already re-employed.

We are also working with technical institutes to provide tuition assistance for students and to create special short-term retraining programs in areas such as truck driving, welding, energy, electrical and mechanical, and machining.

Support and tuition assistance for technical students has almost tripled to \$2,250,000, and another \$1 million has gone to our nursing schools and to both public and private universities and technical schools.

We will also be proposing a change in law to give more help to people whose unemployment benefits have expired. If they enroll in approved training programs, they would be allowed an additional 26 weeks of benefits.

If you can't get a job, the next best thing is to increase your knowledge and upgrade your skills to get a job. We're helping people do that, too. Public university fall enrollment has increased again by 836 to an all-time high of 33,779 students. Public technical institute fall enrollment increased again by over 900 to an all-time high of 5,951 students. We are also offering non-traditional students easier access to education with new attendance centers in Pierre, Rapid City, and Sioux Falls. And, last year, over 21,000 South Dakotans also participated in on-line distance learning courses to increase their knowledge and improve their job skills.

Because of increased university system enrollments, 861 full-time equivalents (FTEs)—also know as jobs—have been added to the Regents' rosters. That accounts for nearly two-thirds of all of the increases in FTEs over the last 7 years.

Most of the rest of the new FTEs since 2003 were added for essential government services, such as prison staff, child protection services, firefighters, and the Homestake laboratory.

Additional education and training is also one of the best ways to create more jobs in the future.

We already have a great business climate, but companies recovering from the recession will also need a well-educated and skilled workforce. Our public universities, with advanced degrees and research programs, create a better workforce. Our technical institutes, with their targeted training and programs, also create a better workforce. We must continue to grow these opportunities, especially now, when other states are cutting back.

The Department of Tourism and State Development has also been working hard to help businesses stay in business and to grow new jobs. During 2009, eight REDI loans and two APEX loans have been extended, and 57 companies have committed to expanding in or relocating to South Dakota. Seventy-two percent of those companies are South Dakota based.

We have also developed over 380 new prospects in the past year for future growth in South Dakota or relocation to South Dakota.

But, beyond business and government efforts, there have been thousands of private actions that have been taken by people to help their relatives, friends, neighbors, and even strangers to survive these tough times.

During this legislative session, we need to do what most South Dakotans are doing during these tough times. They are being frugal, yet they are being optimistic.

I'm proud, and you should be proud, too, that today, our two reserve fund balances combined are still greater than what they were at the start of my first budget back in 2003.

The budget I presented to you in December will use \$31.8 million of the \$107 million in our two rainy day funds for the 2011 budget.

In the 2 months since we made our revenue projections for 2010 and 2011, some of our key revenue sources have grown, but most are down, which means our structural deficit may actually still be growing.

Even the weather is interfering by keeping people from shopping during the holiday season.

The way to start solving our structural deficit problem is to hold down the on-going spending as much as we can without hurting the people who need our help the most. By holding spending down this coming year and maximizing the recovery as it develops, the next legislature can have the resources to balance the FY2012 budget without future tax increases.

We need to help make that happen by holding down spending as much as we can and by not taking any more than \$31.8 million out of the reserve funds.

We are now hearing from Washington, once again, that a possible amendment to the health care bill might include a "stimulus 2" for states. This would take the form of three-quarters or about 9 months worth of extensions of the enhanced Title XIX rates for states—additional Medicaid funding. We can't count on it, and we will not plan on getting it.

If it happens, we must spend those federal dollars instead of spending the reserves that we have proposed to use in the FY2011 budget. We must not use any of these one-time federal dollars for new spending. If we use these federal funds for new spending, the \$107 million structural deficit we face in FY2012 will become larger, which is not acceptable.

Because this is my last state of the state message, I want to begin by thanking all of the legislators here and your predecessors for working with me during my time as governor.

Since 2003, 1,917 bills have been enacted into law, and just a few were vetoed. I thought about listing them, but some of you have already suggested that I should not.

Some of those bills were cleanups, adjustments, responses to federal law, or minor things. But, the people of South Dakota, through us, proposed and won approval for many bills that have improved the quality of life for all South Dakotans. I'm not going to list all 1,917 of them.

But, here are just a few of the laws you have passed, because I want you to see some of the great things the legislature has done for the people of South Dakota these last few years.

We adopted new Uniform Child-Custody procedures and passed new sex-offender laws to improve child custody proceedings and better protect our children. We changed our birth certificate law to expedite more adoptions. We took actions to save innocent young lives in South Dakota and to help people better understand the act of abortion before it may occur. We made it easier for children who have hearing loss to get cochlear implants. We made it easier for small businesses to provide health care insurance for their employees and their families. We created the Health Care Risk Pool in 2003, and have improved it since then so that many more people can use it for health insurance coverage.

And, we also created a competitive insurance marketplace so more people could afford to buy health insurance coverage for themselves and their families. We adopted common sense consumer protections that helped consumers and also encouraged companies to do business in South Dakota. We adopted moderate rating bands that curbed some of the excessive charges for people with health conditions. We also helped high risk individuals who had lost eligibility for insurance with alternatives such as the Health Care Risk Pool.

So, we already provide for portability of health insurance, which is more comprehensive than current federal law, and which provides for insurance alternatives for those losing coverage. We already have guarantees of renewability of health insurance that make sure people will not lose their health insurance just because they get sick. We already have rating procedures and protections for people with pre-existing health conditions.

The result is that we now have 13 companies selling group health insurance, and 17 companies selling individual policies in South Dakota compared to 2003, when the state was faced with the individual market dwindling down to only two insurance companies.

Together, we have expanded the 24/7 sobriety program statewide. We created drug courts and teen courts. We increased the numbers of doctors, dentists, and other health care professionals practicing in rural areas. We provided a new way to fund public transportation for our state's special needs citizens, seniors, and children. And we authorized the creation of a statewide trauma system. We created the Indian Child Welfare Act commission, and both state and tribal governments have implemented many of its recommendations, such as improving the child placement processes, improving communications and collaboration on child welfare issues, improving understanding of the Indian Child Welfare Act to further compliance with the federal law, and recruiting American Indian foster homes with an emphasis on kinship.

To commemorate and build on the reconciliation efforts started by Governor Mickelson 20 years ago, tribal leaders, private individuals, and my staff are working together to develop a plan to commemorate that effort in 2010 with a new year of focus on racial and cultural unity. We will have a special kick-off event to announce our goals closer to the anniversary of the start of the Year of Reconciliation.

In 2007, the legislature established the Zaniya Task Force to study ways to create more access to affordable, comprehensive health insurance for all South Dakotans. The E-Health Collaborative recently secured dollars to implement electronic health records in a demonstration project that will benefit us and other states. And, we are also working with the tribes on an Indian Health Care Initiative.

We are requiring kindergarten and compulsory school participation until age 18, and we increased state aid to local schools, and when we had extra money, we gave it to our local schools.

The state also provided the funding to install anti-virus software and firewalls for 65,000 school computers, upgrade network video conferencing equipment, and provide network management, security management, the student information systems, on-site technical support, website hosting, and both internet access and email for all of our local schools, all at no cost to them.

We also passed the Indian Education Act and established the GEAR-UP program with the Oceti Sakowin (*Pronunciation: "O-chet-ee Sock-o-wee"*) Consortium to help our Native American students succeed. Rather than providing remedial assistance, we allow them an opportunity in high school to look at what they're going to be studying in the following year and to get an advanced start in that year.

We improved our high school graduation requirements, and we also created the South Dakota virtual school. This is a fantastic learning resource for our students. Last year, there were 2,312 virtual school registrations for courses from students in 88 school districts.

We have also substantially increased scholarships. The Richard Hagen-Minerva Harvey Scholarships for Native Americans, the Dakota Corps Scholarships, and the South Dakota Opportunity Scholarships have given over 6,000 students the benefits of post-secondary education. So far, we have distributed over \$15 million in scholarships.

We are also providing more public university advanced degrees than ever before so that our young people can stay in South Dakota—24 new masters degree programs and 23 new doctorate degrees. We are increasing the number of Ph.D. graduates and students in order to promote more research and commercialization. We had 260 Ph.D. students in 2002, and now we have 551 Ph.D. students, even though many of our masters and doctoral degrees are just getting started.

Not only do these new graduate degree programs allow our students to stay here in South Dakota, but they also give them the extra knowledge and skills to create new businesses and create jobs right here in South Dakota, instead of leaving our state. This enables us to build our economy from within the state.

Together, we also strengthened our laws to prevent elder abuse. We passed the first major revision of South Dakota's criminal code since 1977. We corrected the procedures used in carrying out the death sentence. We implemented an intensive methamphetamine treatment program at the women's prison. We also revised the standards of all of our professional and occupational licensing boards, making them more accountable and efficient. We also started including them in our FTE counts for more accuracy and accountability.

We created and increased many programs for our veterans and their families. We created the South Dakota Certified Beef program. We increased protections for grain farmers. We changed the property tax valuation system to eliminate the problems caused by the 150 percent rule. And, we created new incentives for biodiesel fuel, wind power development, and transmission equipment.

We revised our campaign finance laws. We have increased public access to government records while still protecting citizen privacy. There is more information available now through state websites—over 450,000 pages—than ever before. In response to legislator concerns, we also created the open.sd.gov website to display

budget and revenue information, salaries, vendor payments, and a host of other information, not just from state government, but from other local units of government as well. Since October 2008, there have been over 590,000 visits to the open.sd.gov website.

Those are just a few of the things we've done together over the last several years. And, even though it didn't require a law, we also all worked together with our congressional delegation to save Ellsworth Air Force Base from being closed!

We were able to accomplish all of these things without the higher taxes of other states. South Dakota still has the lowest state tax burden per person of any state in the entire country.

We are still able to move forward and get things done because of the hard work of both our state employees and our citizens. A great example of that is the 2010 economic development initiative, the state's business plan.

In 2003, South Dakotans came to eight regional summits and one statewide summit to volunteer their visions and goals for the year 2010. They said they wanted a South Dakota that was economically strong, technologically advanced, culturally rich, attractive to visitors from around the world, and enticing to scientists, researchers, business leaders, and young professionals as an excellent place to live, work, and raise a family.

To make that happen, we created major goals. Goal number one was to double visitor spending from \$600 million to \$1.2 billion. Since we established that goal, South Dakota visitor spending growth has outpaced the regional and national averages.

In 2008, the nation experienced higher gasoline prices followed by the first stages of the recession. Despite these challenges, we saw a 2.8 percent growth in visitor spending and it reached \$967 million. The figures for 2009 will not be available until later this month. However, anecdotal reports from our partners in the visitor industry indicate South Dakota held its own. We are cautiously optimistic that South Dakota did well compared to national trends.

We did several very good things in 2009 to boost visitor spending, such as a new social media campaign, further expansion of the fall shoulder season with the special "Rooster Rush" hunting promotion, expansion of our email marketing and search engine efforts, and the creation of the statewide "one-click, one-call" reservation system. This is part of the "Digital Revolution" in tourism marketing and will allow potential visitors to book vacation packages, rooms, and tickets through the tourism website. We also increased partnerships and cooperative efforts.

The Challenge Grants are good examples of these efforts. Local people make local decisions on how to use the grants to promote tourism in their communities. In Aberdeen, marketing promotions were done for the Brown County Fair, the Great Aberdeen Pig Out, and the Northeast Celtic Faire and Games. Rapid City promoted Summer Nights, the Black Hills Stock Show and Rodeo, and their Pumpkin Festival. Sioux Falls promoted the 2010 Summit League Tournament. Mitchell marketed their Gateway to the West Fest. Watertown promoted City Monopoly and Geo-caching. Akaska used their grant to attract more anglers to the South Dakota Walleye Classic Festival. De Smet promoted their Destination Laura campaign. And, Vermillion used their grant to promote their Ribs, Rods, and Rock n' Roll festival.

In the outdoors, the Department of Game, Fish and Parks has substantially increased opportunities for hunting, fishing, and family vacations. We have 1.2 million acres of walk-in areas for hunting—40 percent more than 2003. We built new boat ramps and extended others during the drought years. We also added 314 campsites, 110 cabins, along with upgrading nearly 1,000 other campsites over the last several years.

A unique future project will be the potential acquisition and use of land at the Blood Run National Historic Landmark. This site is along the Iowa border in Lincoln County. The Game, Fish and Parks Department will give legislators a full briefing on this project later this session. Blood Run was the largest Oneota (oh-nee-OH-tah) Indian village known to exist and to be continuously occupied between 1300 and 1750. As many as 6,000 American Indians were there for trade and significant cultural ceremonies. The area also has excellent recreational potential for one of the most heavily populated regions of South Dakota. So, we have an excellent opportunity here to preserve an important historic site, to teach the next generations about our history, and to provide outdoor recreational opportunities as well. We are at the beginning stages, but I hope that, eventually, we can have a new state park that includes this location.

Goal number two of the 2010 Initiative was to increase the gross state product by \$10 billion, and we achieved that goal already back in 2007, 3 years ahead of schedule. For 2008, our state gross product was \$36.9 billion. We won't have 2009 figures until this summer.

In 2010, we will continue the successful Giant Vision partnership with the South Dakota Chamber of Commerce to encourage entrepreneurs. We will be flexible in reevaluating and restructuring our finance programs to meet the needs of companies. We will be more aggressive in recruiting target industries. We will make financial assistance programs easier to navigate by working with our public and private partners to coordinate funding opportunities. And, the Certified-Ready Site program will allow state economic development officials to do much of the preparatory work ahead of time for incoming businesses, such as zoning, utilities, and easement issues.

Goal number three is to become a recognized leader in research and technology development. Our 2010 research centers have conservatively caused an economic impact of more than \$184 million to the state of South Dakota since July 2004 when they were created. Private sector partners have invested over \$37 million at the centers. Private equity investors have invested more than \$20 million in companies collaborating and commercializing innovations generated by these research centers. And, the 2010 research centers have already supported the work of 184 researchers and 576 students.

In the new federal defense bill recently signed into law, 20 South Dakota projects are receiving almost \$40 million. Thirteen of those 20 projects involve South Dakota's 2010 research centers, our graduate research assistants, or internships created by the Dakota Seeds Initiative.

But, I think our biggest recognition as a new leader in research has come from the National Science Foundation's selection of Homestake as the site for the world's deepest underground science and engineering laboratory. We are moving forward with not only our own Sanford Lab at the 4,850-foot level, but also the Deep Underground Science and Engineering Laboratory. On May 13, 2009, the 4,850 level was dewatered, and, today, the water level is almost 5,100-foot underground.

The Davis Cavern, at the 4,850-foot level, is being enlarged. It is named after Dr. Ray Davis, who won the 2002 Nobel Prize in Physics for his experiments in the Homestake Mine.

This month, crews are preparing to install a new deep water pump, which should be on line in March. That pump will dewater Homestake all the way down to the 8,000-foot level.

South Dakota also took a step closer to the national DUSEL last September, when the National Science Foundation allocated \$29 million to the DUSEL collaboration for scientists who are developing the lab's preliminary designs, and \$19.5 million of that goes through South Dakota School of Mines & Technology. Accepting these funds involves the hiring of 26 people that account for 25 FTEs. This is good growth that adds to our economy, and will create other jobs. Stopping it by eliminating these FTEs would be a very bad idea.

In total, the National Science Foundation already has invested more than \$70 million in design and planning for the DUSEL and the initial experiments at the Sanford Laboratory. None of this would have been possible without the cooperation of the Barrick Gold Corporation, a commitment made by the legislature, and by the \$70 million gift from T. Denny Sanford to the people of South Dakota.

In 2010, the LUX, or Large Underground Xenon, experiment will be installed in the Davis Cavern at the 4,850-foot level.

The Majorana experiment also will be installed. We will begin dewatering the deepest levels of Homestake, and making improvements throughout the lab.

Most important, the DUSEL Collaboration—a nationwide team of scientists led by the University of California at Berkeley and the South Dakota School of Mines & Technology—will finish a document called the Preliminary Design Report, which will be submitted to the National Science Foundation in December. This document will be an extremely detailed plan for the new national research facility here in South Dakota. The National Science Foundation will have reviewed this document every step of the way, so when it goes to the National Science Board in early 2011, there will be no surprises. In fact, the National Science Board will hold its annual retreat in the Black Hills in September of this year.

We are on track to become the home of the first new major national research facility since the FermiLab was created in 1967.

We are also on track with education and outreach activities that have already included teacher trainings, lectures, seminars, on-site labs, videos, and written information for schools, great website pages, three graduate courses, and an annual summer science festival.

We have also expanded the Davis Bahcall scholarship program in collaboration with the Gran Sasso Lab in Italy, the CERN Lab in Switzerland, Princeton University, the Fermilab, and Brookhaven National Lab.

So many great things have already started to happen for science and for South Dakota, and ladies and gentlemen, I believe that it is only the beginning.

Goal number four was to develop and to brand South Dakota's quality of life as the best in America.

We all know we have an excellent quality of life, but to brand it means we want the rest of America to know about it, so people will come here to both visit us and help us create more job opportunities.

Our efforts are paying off. The Small Business and Entrepreneurship Council studies 34 indicators to determine how business-friendly the states are. They rate South Dakota as number one.

The Tax Foundation analyzes the impact of tax laws on economic performance in every state. They rate South Dakota number one.

Forbes magazine analyzes business costs, living costs, and other factors to determine the best small place to do business in the country. They rate Sioux Falls, South Dakota, number one.

Education Week magazine studies how technology is used in the schools in the United States. For both use of technology and access to technology, they rate South Dakota number one.

The most recent Business Facilities Ranking Report measures 20 factors of quality of life, including low crime rates, material well-being, job security, availability of recreation, health care, education, and the cost of living. They rate South Dakota number one in quality of life.

Goal number five was to uphold our commitment to the 2010 Initiative as a work in progress. That means we will continue to challenge ourselves to make South Dakota even better, because we want to encourage more of our young people to stay here or come back home to South Dakota for their careers.

To further improve health care in South Dakota, we also implemented a prescription drug plan before the federal government did it. We started partnerships to encourage more students to choose health careers. We launched a childhood immunization program that is one of the best in the entire country. We reduced smoking, and we successfully coordinated hundreds of thousands of flu shots.

Outside of government, the commitment to better health care by our hospitals, clinics, nursing homes, and our health care professionals has been nothing short of fantastic. They say they are only doing their jobs, but we all know of many, many instances when the people caring for us and our loved ones have gone well beyond doing just a job.

There are five other areas that also have an enormous impact on the current and future quality of life we have here in South Dakota, and we are working hard to improve all five of them. They are water, energy, transportation, agriculture, and education.

This year, I am proposing an Omnibus Water Bill of \$14,200,000 (\$275,000 federal funds and \$13,925,000 other funds) so we can continue to provide good, clean water for our people, livestock, and economic development opportunities, along with needed funding for wastewater treatment and solid waste facilities.

This proposal appropriates \$6.3 million to complete our pledge to prepay the state's cost share commitment for the Lewis and Clark Regional Water System. Also included is the establishment of a \$12 million in-state, cost-share commitment to the Southern Black Hills Rural Water System.

The cost of energy and its availability are also major forces in creating South Dakota's future. We need access to a wide variety of affordable energy for our economy to thrive. We also need to do our part to help our nation become energy independent from the Middle East and Venezuela.

Since 2002, we made several changes in our laws to promote and accelerate wind power. In 2002, South Dakota was producing only 4 megawatts of wind power. Currently, we have wind power production capacity of 314 megawatts and another 309 megawatts are under construction. When these projects are completed, South Dakota will have enough wind power generation to power 170,000 homes. Basin Electric is now in the permitting process for an additional 150 megawatts as a wind farm that would be located south of Wessington Springs, and they hope to start constructing this project this summer.

But, our greatest roadblock to creating even more wind power is the lack of transmission capacity for the future. It can cost as much as \$1 million to \$3 million per mile to build a new transmission line.

Unfortunately, the Big Stone II project has been killed, and it would have provided another 1,000 megawatts of wind power transmission lines. That's enough capacity to carry the electricity produced by almost 700 wind turbines.

But, other energy projects are on track. The 300-megawatt Deer Creek Station natural gas power plant near White, South Dakota, is on track for completion in 2012. The Hyperion Energy Project is also on track to break ground in 2011 and start refinery production in 2015. It will create thousands of jobs in its construction and operation. It will also process 400,000 barrels of crude oil per day to make Ultra-low sulphur gasoline, diesel fuel, and jet fuel. This \$10 billion project will be the largest private development in our state's history.

TransCanada's two pipelines are also on schedule. Together, they will carry over 1.2 billion barrels of oil from Canada to American refineries.

South Dakota also continues to be a national leader in farmer-owned ethanol plants and ethanol production with a capacity for producing 990 million gallons per year. That's tremendous growth from the 165 million gallons that South Dakota produced in 2002. All of these activities will help South Dakotans have reliable and affordable access to electricity and fuels, while helping our nation become more energy independent.

The future of our state is also very dependent on transportation—primarily our roads, bridges and railroads. Transportation is a key factor in where the most economic growth will happen.

Year to date, since 2002, we have spent over \$2.5 billion on new or rehabilitated state highway projects: \$1.8 billion in federal funds, \$76 million in federal stimulus funds, and \$646 million in state tax dollars.

Over 40 percent of the state system has been constructed or repaired since 2002. That includes resurfacing 2,100 miles with asphalt, resurfacing or reconstructing 630 miles of concrete, reconstructing 460 miles of highways, constructing 180 bridges and culverts, and repairing 550 bridges and culverts.

We have also successfully negotiated the railroad core line lawsuits so our shippers now have better access to markets. We've completed 556 local transportation projects worth over \$200 million. We completed the Mitchell to Huron, Aberdeen to I-29, and Pierre to I-90 expressways. And, the Rapid City Heartland expressway is almost completed.

We also received \$15 million in extra federal funding, because we effectively and efficiently issued our stimulus funded contracts.

During 2010, we will be spending \$45 million in state funds, \$240 million in federal funds, and \$107 million in federal stimulus funds on highway improvements. We will also be working with other rural states to secure the passage of a new surface transportation act by Congress that will be fair to rural America. And, we will also continue to manage increased construction costs, increased maintenance costs, and decreasing revenues.

Agriculture has been the steady constant in our economy for decades. But, in recent years, it has become even more important, because we are adding value to our commodities to create more ag income right here within our borders.

Government primarily provides certain services to people, but our farmers, ranchers, and processors are growing, creating, and producing the foods and fuels that are the basic necessities of life for us and for many millions of other people.

Many people don't realize that the extended drought period we experienced in recent years was statistically worse than the "Dirty 30's," but we didn't experience the devastation because our farmers and ranchers over the last 80 years have implemented many conservation actions that decrease the impacts of drought.

South Dakota agriculture has an annual economic impact of over \$21 billion. Over 170,000 South Dakotans are employed in agriculture-related industries and record-setting farm and ranch income in 2008 helped lessen the downward impact of the recession in 2009.

While commodity prices are down in 2009, particularly for livestock and dairy, our farmers, once again, set new grain production records this last year. That took a lot of hard work, but our farmers and ranchers would be the first to say that they are most thankful, first and foremost, to the Good Lord for the blessings that they have received.

In the long run, I believe we are on the right path in turning more and more of our raw commodities into finished products—corn into ethanol and distillers grain, milk into cheese, grapes into wine, and turkeys into finished products ready for the grocery store.

The Dakota Provisions plant in Huron is an example of this success. Since 2006, which is the year in which it started in operation, the number of turkeys processed has increased from 3.2 million to 4.6 million. Payroll has increased from \$4 million to \$16

million. Employment has skyrocketed from 270 to 640. And, sales have increased from \$69 million to \$155 million. All those numbers will increase again in 2010.

The state helped make that happen by providing a Value-Added Ag Subfund loan in 2003 to do a feasibility study to explore opening a producer-owned processing facility, and by awarding a REDI Fund loan and an EFDA bond for permanent financing on land, building, and equipment in 2005. The state also helped by awarding a Workforce Development grant to help train 382 new employees in 2006, and by providing an APEX Loan to partially finance a new administrative office building in 2006. Dakota Provisions fully repaid its Value-Added Ag Subfund loan last September.

We are also helping our farmers and ranchers design and build environmentally responsible feedlots, so we can feed more of our calves right here within our borders, instead of exporting them to other states. About 950,000 calves left South Dakota last year to be fed and marketed somewhere else. If we had fed and finished them and marketed them right here, it would have meant 6,650 new jobs.

In the Department of Agriculture, we also created a regional Type II Incident Management Team that responds to our own fires and fires in other states. It has also worked in other disasters, such as two New Orleans hurricanes and the Fargo floods. This required 22.5 FTE, but you made the right decision when you approved them, because we'd rather have them located here in South Dakota than another state so that South Dakotans hold those jobs and are closer to the Black Hills when we do have a fire. I think our people appreciate having that team here, even if it means we have to count them as FTEs. And, by the way, the federal government is paying 100 percent of the cost. We have also trained over 1,000 state, federal, local, and volunteer firefighters in the past year.

We are also improving the State Fair. Attendance is up 22 percent over the last 3 years. Campground revenue is up 34 percent and sales tax collections are up 86 percent. Corporate sponsorships are up 90 percent. The number of vendors is the largest in 10 years. And, the total number of 4-H exhibits has grown to over 15,000.

We also have a responsibility to provide educational opportunities to all of our citizens. My budget proposal has over \$607 million going to education. Of that, \$390 million goes from the state to local schools that will combine that with local property taxes and federal funds and then spend approximately \$1.1 billion in local, state, and federal taxes on educating approximately 123,000 students this next school year. Even so, it seems like we talk about that money a huge amount of the time instead of the goals and results of education.

So, let's look beyond the money for just a minute to see what's being accomplished. The most important achievements belong to our students. Their test scores are improving. Since 2003, the number of students who are proficient or advanced in mathematics has increased from 59 percent to 75 percent. The number of students who are proficient or advanced in reading increased from 71 percent to 84 percent in

2008. In 2009, a more difficult reading test was started, and it will be the new baseline for future years.

American College Testing (ACT) scores have increased from 21.5 to 22. In all four categories of English, Math, Reading and Science, our South Dakota students scored higher than the national average.

In South Dakota, 74 percent of our students take the ACT test. And, the higher the percentage, the greater the chance that composite scores will be lower, because we have more and more students taking them. But, in the 11 states where at least 74 percent of the students take the ACT test, South Dakota students have the highest composite score.

In other areas of comparison, in 2009, we had a high school graduation rate of 89 percent. That's good, but we can do better in the future. But, the percentage of our high school graduates going to college has also increased from 69 percent to 72 percent.

In the GEAR-UP program for Native American students, 87 percent of the participants have gone on to post-secondary education, and 65 percent have already graduated or are still enrolled.

Our four locally-managed technical institutes are also doing a very good job. They are working together as a system with shared goals, a strategic plan, and partnerships with businesses to meet their workforce needs. Enrollment over the last 5 years has grown by 14 percent. For the most recent year, the combined placement rate was 97 percent, with 88 percent of those graduates being employed in their chosen field. And, 83 percent of those graduates stayed in South Dakota. Twenty-five percent of all technical institute graduates are in the growing career field of health care.

Classes are also expanding for energy-related careers in areas such as electricity distribution and transmission, natural gas and propane production and distribution, wind turbine construction and repair, pipefitting, millwrighting, fabricating, and in automated controls.

Our technical institutes are also working together with high schools on dual credit courses. The technical institutes also have over 220 articulation agreements with our universities for course credit transfers.

I've already mentioned the great job our public universities are doing for our students with new master's degree and doctoral programs, new outreach facilities, more online courses, more scholarships, more research to create jobs, the articulation agreements, and great collaboration with the Sanford Lab at Homestake.

But, our public universities are also growing their enrollments and preparing our people for essential careers in South Dakota. The fall enrollment in 2002 was 29,533, and fall

enrollment in 2009 was 33,779, or up 14.3 percent. The number of graduates has also increased—from 4,885 in 2005 to 5,445 last year.

All the things I've mentioned and much more just don't happen on their own. We have a hard-working, dedicated workforce of state employees who care about their fellow South Dakotans and do a tremendous amount of work every day.

At this time, I want to say thank you to all of our state employees and our local employees, because they truly have done some very, very good work as servants to all of us.

2010 is the 100th Anniversary of the opening of this State Capitol. One hundred years ago, its construction symbolized the end result of a long, difficult struggle for statehood. It was also the ending of fierce battles between several towns to determine which town would be the permanent home for state government.

There will be two special events this year to recognize this building and what it symbolizes. Everyone here and all of the people of South Dakota are invited to attend. On Monday, March 1st, from 5 to 7 p.m., there will be a special reception here in the Capitol Rotunda. On Saturday, June 19th, there will be a grand celebration all day, here on the Capitol grounds.

About this building, Governor Coe Crawford said, "As the people come and go, and linger within its walls, they will see in it an expression of the soul of the state." I think I know what Governor Crawford meant, because I feel it every day when I have the privilege of coming to work here.

Last year, I mentioned a wonderful history of our state entitled "Challenge: the South Dakota Story" written by Robert Karelovitz (Kar-Rel-a-Vits). He wrote that South Dakotans have a "fierce, but quiet pride" in solving problems, achieving beyond anyone's expectations, and, not only surviving, but prevailing against every challenge they are given.

Fires, floods, influenzas, droughts, wind storms, tornadoes, mud slides, and blizzards challenge us in South Dakota. They don't defeat us, they make us stronger.

I remember so many fires in the Black Hills where volunteer fire departments from all across the state, even hundreds of miles away, would rush out West to not only battle the flames, but also save the homes and businesses of people they didn't even know. I also remember one large prairie fire near Marcus where a small army of ranchers with their converted pickups were fighting it as best they could. One rancher was returning home with his 3-year-old son, and spotted the firefighting, and immediately drove toward it. He found a state trooper and asked him, "Since you have to stay here and man the radios, would you watch my son while I go help fight this fire?" Of course, he did! And, that fire was quickly put down.

During the Aberdeen and James River Valley flooding, over 600 state workers left their regular jobs in shifts to help people recover.

At another time, an elderly couple hung on for their lives when a flood and mudslide came through their hillside home. After they were rescued, someone said, "What are you going to do now?" They didn't think twice about it, and said, "We're gonna rebuild."

A few years ago, when we had a blizzard and ice storm that broke over 11,000 electric poles, many state and local workers and volunteers went door-to-door to make sure everyone was safe. You remember the blizzard. Small towns were without electricity, and we were concerned about some of our elderly population, and we had teams of members, local folks with state help, going door-to-door, snowplows driving them through to touch base in each of those outlying little houses.

In one particular case, a group of four went up to a door where they thought somebody should be at home. They knocked on the door, and nobody answered. They knocked again. So this is South Dakota, the door was open, and they just walked on in. They came in, and sure enough, the lady of the house was there. Do you remember the story? She was 97 years old. She didn't want to leave. She was in bed. The temperature in the house was 37 degrees. But, she was okay, because she still had hot cocoa, and she didn't want to leave. And, a law enforcement officer that was with them said, "Mam, you don't understand, we think you really should leave, and get to some place that's warm." She said, "No, this is my home, I think I'm okay to stay here, I'll be okay. And then the social worker that was with them said, "Mam, you don't understand. The governor sent us, and he says you gotta come with us." And she said, "Well, if the governor says I gotta go, I guess I gotta go." They took care of her. All across South Dakota people were helping one another face the challenges that Mother Nature delivers to us.

I will also always remember the incredible image I saw on television during that storm. It was almost a whited out picture, but there, in the white, you could barely see, maybe a truck in the distance, and then you could see the stub of a power pole, and some movement. You kind of had to focus on it, and then you could very, very faintly make out two figures, two linemen, in a white out blizzard, with their utility bucket, replacing a pole! The wind chill must have been at least -20! But there they were, starting the repairs already to help their community.

Every year, we see that one of the most important things that state and local governments do is to respond to emergencies to save lives, to prevent harm, to minimize damage, and to help people recover. So, I want to say thank you to you as a legislative body, because you gave us the tools, the training, the funding, and the flexibility to respond to numerous disasters. You approved the combining of 11 agencies into the new Department of Public Safety in 2003, and you approved the building of the state Emergency Operations Center in 2006 that has made our emergency responses more effective. Once again, thanks to you.

It is true, South Dakotans do have a fierce, but quiet, pride in solving problems, getting things done, and prevailing against every challenge and disaster we are given.

That's the legacy our ancestors have given to us. It is a legacy we are carrying forward for the next generation. And, that legacy is not only symbolized, but carried out, in this beautiful building where the people of South Dakota meet and work to solve problems and to create new opportunities.

I'm looking forward to working again this next year with all of you, so we can get even more done for the people of this state.

I suspect that's where this speech could probably end, but there's one more thing we should always remember. Since 2002, more than 4,200 National Guard Soldiers and Airmen have deployed overseas. These are South Dakota citizens.

During 2009, 811 members of the South Dakota National Guard served on deployment to fight the global war on terrorism. Three hundred and thirty-seven were in the Air National Guard, and 72 of them have returned home. Four hundred and seventy-four were in the Army National Guard, and one has returned home. We currently have 266 Air National Guard Airmen serving overseas in Iraq and six additional members serving in three other countries. We also have 482 Army National Guard Soldiers serving overseas—114 are in Afghanistan, 367 are in Kuwait, and one Soldier is stationed in Kosovo.

Twenty-eight Soldiers and Airmen and one civilian, all from South Dakota, have made the ultimate sacrifice. Seven were members of our National Guard, and 21 were in the regular armed forces. Two of those 29, one a Soldier and one an Airman, died in 2009. They were Staff Sergeant Bryan D. Berky, U.S. Air Force, and Sergeant Leroy O. Webster, U.S. Army.

We should also say a prayer for the family of Sergeant "Duvi" Wolf, U.S. Army, who was not a South Dakota native, but was buried in Farmer, South Dakota, this past year. For all the years I've served as governor, our nation has been at war. This war to stop terrorism has lasted longer than World War II, but it is a war we must win.

I am grateful that I was given the opportunity to carry forward what Governor Bill Janklow started with his creation of the World War II Memorial. With your help and the help of many, many thousands of South Dakotans, we created the Korean War Memorial and Vietnam War Memorial on these Capitol grounds.

When this current war is over, a future governor and future legislature and the grateful citizens of South Dakota will have the privilege of creating a memorial for the current generation of soldiers who are fighting to both defend our freedom and to give the precious gift of freedom to many millions of people and their children in far off lands, during the last 20 years.

Let's never forget that we are a privileged group of people. We live in a country where we have freedoms and opportunities like nowhere else in the world. We talk about it, but let us never take for granted the right to bear arms. Let us never take for granted the right to speak our minds on issues that are important to us—to talk about the direction that our country and our state are going. Let us never forget that we have the opportunity ourselves to choose our own leaders. I wonder how many other people throughout the world only wish they had those freedoms. But, we have the opportunity, not only to choose our own leaders, but to offer to them ourselves in service, as we have done. We have the opportunity to choose the job or the profession of our own choice and to succeed or to fail in that chosen profession. Our kids, boys and girls both, have the opportunity for a marvelous education. And, every one of us has the opportunity to worship the Good Lord the way that we see fit—whether it be in a church, synagogue, mosque, mountaintop, or cathedral. Those freedoms, those opportunities, have never been free. They have been defended and fought for by the men and the women that have proudly worn the uniform of these United States of America.

Ladies and gentlemen, today, let's once again thank them for their sacrifice and their service for all of us. Veterans and current members of the Armed Forces of this country, please stand and be recognized by all of us. Veterans and members, please stand.

May the Good Lord continue to bless this state, and may he continue to shine His blessings on this very special country, the United States of America. Thank you.